

# **CITY OF JACKSON, MICHIGAN**

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## **Comprehensive Annual Financial Report**

**For The Fiscal Year Ended June 30, 2005**

**Including  
Single Audit Act Compliance**

**Prepared by :**

**Philip J. Hones, Finance Director  
Steven P. Maga, Staff Accountant**

**City of Jackson, Michigan**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2005**

**TABLE OF CONTENTS**

	<u>PAGE</u>
 <b><i>INTRODUCTORY SECTION</i></b>	
Letter of Transmittal.....	i-iv
GFOA Certificate of Achievement.....	v
Organizational Chart.....	vi
List of Elected and Appointed Officials .....	vii
 <b><i>FINANCIAL SECTION</i></b>	
Independent Auditors' Report .....	1-2
Management's Discussion and Analysis .....	3-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities .....	16-17
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	18-19
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	23-25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Street Fund.....	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Development Fund .....	27
Statement of Net Assets – Proprietary Funds.....	28-29
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	30
Statement of Cash Flows – Proprietary Funds .....	31
Statement of Fiduciary Net Assets – Fiduciary Funds .....	32
Statement of Changes in Plan Net Assets – Pension Trust Funds.....	33
Notes to the Financial Statements.....	34-61
GASB Statement 25 Required Supplementary Information:	
Schedule of Funding Progress .....	62
Schedule of Employer Contributions.....	63
Additional Information.....	64

**City of Jackson, Michigan**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2005**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Combing and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	66
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	68
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Amended Budget and Actual :	
Local Street Fund.....	69
Ella W. Sharp Park Operating Fund.....	70
Sale of Land Fund.....	71
Land Acquisition Fund.....	72
Housing Initiative Fund.....	73
Public Improvement Fund.....	74
Building Department Fund.....	75
Budget Stabilization.....	76
Drug Law Enforcement Fund.....	77
Local Law Enforcement Block Grant.....	78
LAWNET Grant Fund.....	79
Recreation Activity Fund.....	80
Community Development Home Grant Fund.....	81
Employee Health Care Fund.....	82
Brownfield Assessment Grant Fund.....	83
Combining Balance Sheet – Nonmajor Debt Service Funds.....	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds.....	85
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	87
Combining Balance Sheet – Nonmajor Permanent Funds.....	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Permanent Funds.....	89
Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	90
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	91
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	92
Combining Statement of Net Assets – Internal Service Funds.....	93
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds.....	94
Combining Statement of Cash Flows – Internal Service Funds.....	95
Combining Balance Sheet – All Agency Funds.....	96
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	97-98
Balance Sheet/Statement of Net Assets – Brownfield Redevelopment Authority Component Unit.....	99
Statement of Revenue, Expenditures and Changes in Fund Balances/ Statement of Activities - Brownfield Redevelopment Authority Component Unit.....	100

**City of Jackson, Michigan  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2005**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b><i>STATISTICAL SECTION</i></b>	
General Governmental Expenditures By Function .....	101
General Governmental Revenues By Source .....	102
General Governmental Tax Revenues By Source .....	103
Property Tax Levies and Collections .....	104
Total Assessed/Taxable and Estimated Actual Value of Property .....	105
Property Tax Rates - Direct and Overlapping Governments .....	106
Property Tax Rates - Direct and Overlapping Governments (Pie Chart) .....	107
Principal Taxpayers and Major Employers .....	108
Special Assessment Billings and Collections .....	109
Schedule of Legal Debt Margin .....	110
Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds .....	111
Ratio of Net General Obligation Bonded Debt To Assessed/Taxable Value and Net General Obligation Bonded Debt Per Capita .....	112
Ratio of Annual Debt Service Expenditures For General Obligation Bonded Debt To Total Governmental Fund Type Expenditures .....	113
Revenue Bond Coverage - Sewer Fund .....	114
Revenue Bond Coverage - Water Fund .....	115
Employment Statistics .....	116
Property Value, Construction and Bank Deposits .....	117
Miscellaneous Statistics .....	118
State Equalized Valuation, Taxable Valuation .....	119
Supplemental Disclosure Information - Water Supply System .....	120-121
Supplemental Disclosure Information - Industrial Facilities Tax Roll .....	122
Supplemental Disclosure Information - Tax Increment Revenues, Debt Service and Debt Service Coverage .....	123
Supplemental Disclosure Information - Gas & Weight Tax Revenues, Maximum Annual Debt Service and Historical Debt Service Coverage .....	124
 <b><i>INFORMATION ON SINGLE AUDIT (Compliance Section)</i></b>	
Schedule of Expenditures of Federal Awards .....	125-126
Note to Schedule of Expenditures of Federal Awards .....	127
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	128-129
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	130-131
Schedule of Findings and Questioned Costs .....	132-133

# **INTRODUCTORY SECTION**

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## CITY MANAGER

161 West Michigan Avenue — Jackson, Michigan 49201  
Telephone: (517) 788-4035 — Facsimile: (517) 768-5820

October 31, 2005

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

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Jackson for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City of Jackson. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rehmann Robson, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Jackson was founded in 1829, incorporated as a city in 1857 and became a Home Rule City in 1914. It is located in south-central Michigan. The City currently has a land area of approximately 11 square miles and a population of 36,218 based on the 2000 census. The City is an industrial and commercial oriented community serving as a principal business, marketing, and cultural center for the surrounding suburban and agricultural territory. The government is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the Council-Manager form of government. The Mayor is elected on a non-partisan, at-large basis. The six council members are elected on a non-partisan, city ward basis. A ballot proposal passed by the voters on November 6, 2001 staggered and extended the terms of council members elected by ward to four years. The Mayor continues to serve two-year terms. The City Treasurer is also elected on a non-partisan at-large basis. This position serves a four-year term. The City Manager, City Clerk, City Assessor and City Attorney are appointed by the Council for indefinite terms and serve at the pleasure of the Council.

Policymaking and legislative authorities are vested in the City Council. The Council is responsible, among other things, for passing ordinances and resolutions; making public policy decisions; confirming the appointments of department heads; adopting annual budgets; appointing boards, commissions, and committees; approving contracts; authorizing real estate transactions; approving payments; awarding bids; selling personal property; and hiring the government's manager, clerk, assessor and attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for supervising the day-to-day operations of the government, and for appointing the heads of the government's departments.

The City of Jackson provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; sanitary sewage treatment and disposal; water treatment and distribution; economic development; recreational activities; and cultural events.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Jackson operates.

**Local economy.** The City of Jackson currently enjoys a somewhat limited but gradually diversifying economy that has demonstrated growth in the last decade. Because of its central location, Jackson provides access to employment opportunities in Lansing, Battle Creek and Ann Arbor.

The local economy in Jackson County continued to have increased successes throughout late 2004 and through October 2005 as the economy continues to rise. Overall successes show that the county created 916 new jobs, retained 643 jobs and made \$69 million in new investment.

Major industries with headquarters or divisions located within the City include a statewide gas and electric utility, aerospace, automobile and industrial component manufacturers, retail sales and several financial institutions.

**Longterm financial planning.** The City's ad valorem taxable value has grown 10.6% annually, on average, since fiscal 2000 to nearly \$731 million, while market value has had similar gains, increasing 10.0% on average, in the same time frame, to \$1.8 billion. Additionally, both assessed value and market value can be expected to show more moderate gains in the future as new development continues and tax abatements expire and roll-on to the tax base.

In order to bolster economic growth in the city, Jackson began a process in 2000 of designating incentive zones to draw businesses inside its borders. The city formed several renaissance zones, thereby providing a tax incentive to help create new business sites and jobs. Currently, the City of Jackson has the largest Renaissance Zone development in the State of Michigan with the construction of Kinder Morgan Energy completed in July 2002 with their \$250 million state-of-the-art energy facility. Businesses that chose to reside within the incentive zones would initially be exempt from paying certain property taxes. However, the city's tax base has had significant gains in recent history, due ancillary development around the zones and the gradual expiration of property tax abatements.

Continued residential development also looks favorable for the future. The Community Development Department is promoting residential development through their Rental Rehabilitation Program and the New Neighbor Program has invested over \$ 500,000 to purchase 14 tax reverted and foreclosed homes that have been or will be ultimately rehabilitated and sold, thus providing funding for further rehabilitation. Tax incentive programs such as the Neighborhood Enterprise Zone and Obsolete Property Rehabilitation District have also encouraged nearly \$ 8 million in residential development and further development using these incentive programs are in process.

These favorable trends are counterbalanced, in large measure, however, by other factors. The increase in the assessed value of taxable property in the City has been constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5 percent or the rate of inflation, whichever is less). Taken together, these fiscal factors create a trend toward ever tightening budgets under which the City must operate.

Another continuing financial challenge for the City is the escalating costs of insurance - both for employees/retirees as well as property and liability. Greater revenue growth or cost containment measures will be necessary to mitigate future stress on City finances. In addition, while the State's economy has somewhat stabilized in recent months, the continued stagnant growth in the distribution of State shared revenues continues to produce a substantial amount of fiscal anxiety. Together, these two issues impose increasing burdens on the City's fiscal structure and pose a possible peril to the long-term stability of City finances.

**Cash management policies and practices.** The City is conservative in its approach to cash management. Generally, cash is deposited upon receipt in interest bearing accounts. Cash from various funds may then be transferred into a governmental pool in accordance with State statutes to maximize investment earnings. Investment income is allocated to the various funds based upon their respective participation. Cash that is temporarily in excess of meeting the daily cash flow demands of the City is invested in certificates of deposit with maturities ranging from 30 to 90 days, unless matched to a specific cash flow requirement, where the maturity may be longer. This is in conformity with the City's investment policy to provide the highest return with the maximum security. The City's permanent fund's cash are generally invested in U.S. government-backed securities while Pension Trust Fund assets are invested in corporate stocks and bonds, mutual funds, United States government-backed securities, cash and cash equivalents in conformance with state statute. These investments are consistent with the City's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio.

**Risk management** Under a comprehensive plan of risk management, the City maintains property and liability insurance coverage through commercial carriers and the Michigan Municipal League insurance pools. The City currently has a self-insurance program for its workers compensation.

**Pension and other postemployment benefits.** The City administers three defined benefit pension plans – Employees’ Retirement System, Policemen’s and Firemen’s Pension and Policemen’s and Firemen’s Pension-Act 345 – for its full-time employees. Each year, an independent actuary is engaged by each of the three employee retirement systems and calculates the amount of the annual contribution that the City must make to each pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year’s annual required contribution to each of the pension plans as determined by the actuary. The City had succeeded as of June 30, 2004, the date of the latest actuary reports, in funding 104.8 percent, 59.7 percent and 55.5 percent, respectively, of the present value of the projected benefits earned by employees in each of the plans. The surplus/unfunded amounts are being systematically amortized over varying time periods ranging from 6 to 30 years as part of the annual required contributions calculated for each plan by the actuary.

The City also provides postretirement health care benefits for retirees and their dependents. As of the end of the current fiscal year, there were approximately 110 retired employees receiving these benefits, which are funded as incurred. GAAP do not require governments to report a liability in the financial statements in connection with an employer’s obligation to provide these benefits. Additional information on the City’s retirement system and postemployment benefits can be found in Note 4-E in the notes to the financial statements.

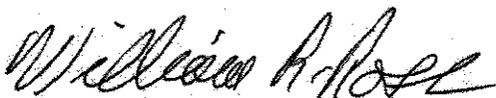
#### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jackson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the fourteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City of Jackson. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Jackson’s finances.

Respectfully submitted,



William R. Ross, City Manager  
City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Jackson,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

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



*Nancy L. Zjella*

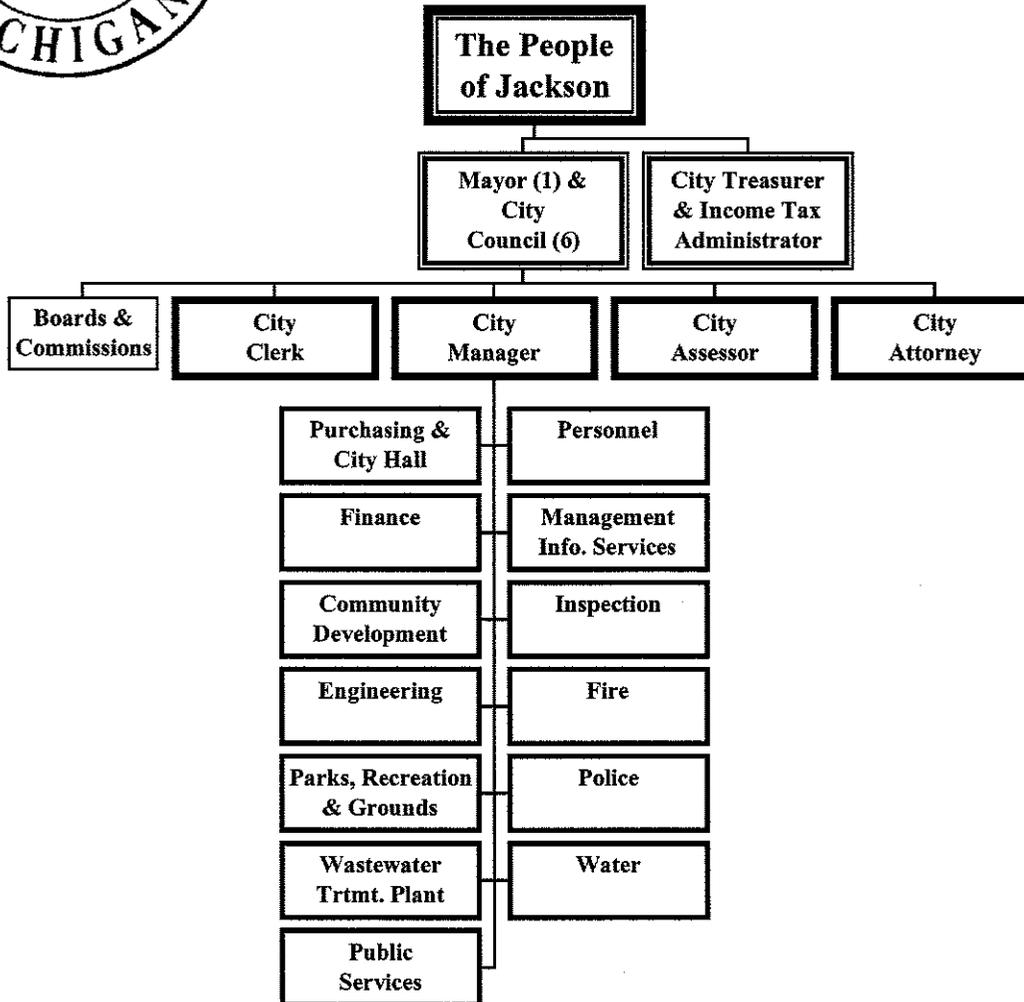
President

*Jeffrey R. Emer*

Executive Director



# City of Jackson, Michigan Organizational Chart



**City of Jackson, Michigan  
List of Principal Officials**



**CITY COUNCIL**

**Martin J. Griffin, Mayor**

Carl L. Breeding	1st Ward
William Mure	2nd Ward
Daniel P. Greer	3rd Ward
Sarah Mead	4th Ward
Andrew R. Frounfelker	5th Ward
Jerry F. Ludwig	6th Ward

**CITY OFFICIALS**

**William R. Ross, City Manager**

Catherine M. Brechtelsbauer	Director of Personnel
Larry Bosell	Fire Chief
Glenn Chinavare	Director of Public Services
Jon Dowling	City Engineer
Lynn Fessel	City Clerk
Julius Giglio	City Attorney
Philip J. Hones	Finance Director
Carol Konieczki	Community Development Director
C. Jan Markowski	City Assessor
Richard J. Marsh Jr.	Assistant City Manager/Operations
James Parrott	Director of Parks, Recreation & Grounds
Ervin L. Portis	Police Chief
Paul Vermaaten	Director of Sewage Treatment Services & Facilities
Andrew J. Wrozek, Jr.	City Treasurer/Income Tax Administrator

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# **FINANCIAL SECTION**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

October 31, 2005

Honorable Mayor and  
Members of the City Council  
City of Jackson, Michigan

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 the *City of Jackson, Michigan*, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jackson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2005, on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-14 and the GASB Statement 25 supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jackson's basic financial statements. The introductory section, combining and individual fund financial statements and 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 States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the City of Jackson. The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken 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 express no opinion on them.

A handwritten signature in cursive script that reads "Lehmann Johnson".

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

## Management's Discussion and Analysis

As management of the *City of Jackson, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. 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-iv of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$102,702,206 (*net assets*). Of this amount, \$21,456,044 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,244,247.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,360,431, a decrease of \$8,110,218 in comparison with the prior year. Approximately 70% of this total amount, or \$8,649,293, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,129,904, or 14.4 percent of total general fund expenditures.
- The City's total bonded debt decreased by \$1,315,000 during the current fiscal year; No new debt was issued and \$1,315,000 of existing debt was retired.

### Overview of the Financial Statements

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 include legislative, general government, public safety, public works, culture and recreation and community enrichment and development. The business-type activities of the City include the golf practice center, parking system and water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate authorities – the Downtown Development Authority and the Brownfield Redevelopment Authority – for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The City of Jackson Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

**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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 maintains thirty-three 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, Major Street, Community Development Block Grant, Special Assessment Capital Projects and 2003 City Hall Construction funds, each of which are considered to be major funds. Data from the other twenty-eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-27 of this report.

**Proprietary funds.** The City 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 uses three major enterprise funds to account for its sanitary sewer, water distribution and parking deck operations while the operations of the City's Golf Practice Center and its remaining parking system are considered non-major and are combined into a single, aggregated presentation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its workers compensation self-insurance and motor pool and garage operations as well as public works and engineering administration. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. All of the City's internal service funds are non-major and individual fund data is provided in the form of *combining statements* elsewhere in this report.

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 sewage and water operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 28-31 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

**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 34-61 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 62-64 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 65-100 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jackson, assets exceeded liabilities by \$102,702,206 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (70 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City's of Jackson's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$22,751,255	\$27,947,852	\$16,891,049	\$15,383,618	\$39,642,304	\$43,331,470
Capital assets	69,659,929	60,406,451	57,164,671	57,544,587	126,824,600	117,951,038
Total assets	92,411,184	88,354,303	74,055,720	72,928,205	166,466,904	161,282,508
Long term liabilities outstanding	53,336,016	54,240,272	4,708,082	5,304,726	58,044,098	59,544,998
Other liabilities	5,139,938	2,620,946	580,662	658,604	5,720,600	3,279,550
Total liabilities	58,475,954	56,861,218	5,288,744	5,963,330	63,764,698	62,824,548
<b>Net assets:</b>						
Invested in capital assets, net of related debt	19,477,559	17,246,524	52,754,671	52,374,587	72,232,230	69,621,111
Restricted	7,566,923	5,785,257	1,447,009	1,447,009	9,013,932	7,232,266
Unrestricted	6,890,748	8,461,304	14,565,296	13,143,279	21,456,044	21,604,583
<b>Total Net Assets</b>	<b>\$33,935,230</b>	<b>\$31,493,085</b>	<b>\$68,766,976</b>	<b>\$66,964,875</b>	<b>\$102,702,206</b>	<b>\$98,457,960</b>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$4,244,247 during the current fiscal year. The majority of this growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

### City of Jackson's Changes in Net Assets

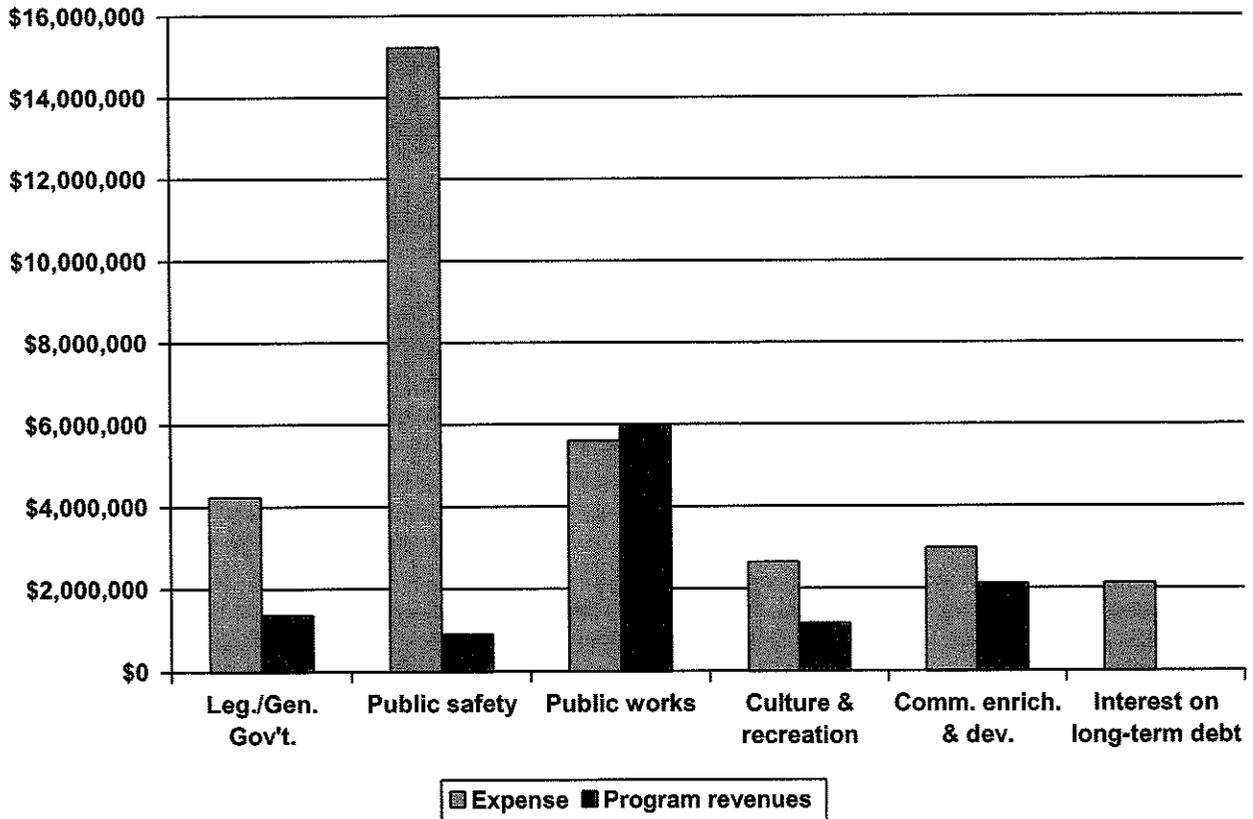
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenue:</b>						
Program revenues:						
Charges for services	\$ 3,768,592	\$ 3,489,305	\$11,297,270	\$10,828,680	\$15,065,862	\$14,317,985
Operating grants and contributions	4,873,069	5,616,389	-	-	4,873,069	5,616,389
Capital grants and contributions	2,885,188	1,405,094	-	1,253,130	2,885,188	2,658,224
General revenues:						
Property taxes	9,105,344	7,754,736	-	-	9,105,344	7,754,736
Income taxes	7,300,012	6,984,060	-	-	7,300,012	6,984,060
Grants and contributions not restricted to specific purposes	7,057,734	5,895,879	451,473	299,455	7,509,207	6,195,334
Other	344,903	359,894	249,120	141,311	594,023	501,205
<b>Total revenues</b>	<b>35,334,842</b>	<b>31,505,357</b>	<b>11,997,863</b>	<b>12,522,576</b>	<b>47,332,705</b>	<b>44,027,933</b>
<b>Expenses:</b>						
Legislative	70,428	76,344			70,428	76,344
General government	4,162,208	4,213,894			4,162,208	4,213,894
Public safety	15,211,748	14,135,744			15,211,748	14,135,744
Public works	5,602,686	5,793,948			5,602,686	5,793,948
Culture and recreation	2,638,497	2,267,890			2,638,497	2,267,890
Community enrichment & development	2,977,181	5,133,149			2,977,181	5,133,149
Interest on long-term debt	2,125,358	1,916,025			2,125,358	1,916,025
Golf practice center			67,222	80,487	67,222	80,487
Parking system			638,752	589,578	638,752	589,578
Sewer			4,545,475	4,334,517	4,545,475	4,334,517
Water			5,048,903	5,130,173	5,048,903	5,130,173
<b>Total expenses</b>	<b>32,788,106</b>	<b>33,536,994</b>	<b>10,300,352</b>	<b>10,134,755</b>	<b>43,088,458</b>	<b>43,671,749</b>
Increase (decrease) in net assets before transfers	2,546,736	(2,031,637)	1,697,511	2,387,821	4,244,247	356,184
Transfers	(104,591)	(105,435)	104,591	105,435	-	-
<b>Increase (decrease) in net assets</b>	<b>2,442,145</b>	<b>(2,137,072)</b>	<b>1,802,102</b>	<b>2,493,256</b>	<b>4,244,247</b>	<b>356,184</b>
<b>Net assets – Beginning of year, as restated</b>	<b>31,493,085</b>	<b>33,630,157</b>	<b>66,964,874</b>	<b>64,471,618</b>	<b>98,457,959</b>	<b>98,101,775</b>
<b>Net assets – End of year</b>	<b>\$33,935,230</b>	<b>\$31,493,085</b>	<b>\$68,766,976</b>	<b>\$66,964,874</b>	<b>\$102,702,206</b>	<b>\$98,457,959</b>

**Governmental activities.** Governmental activities increased the City's net assets by \$2,442,145 during fiscal year 2005.

-Key elements of this increase are as follows:

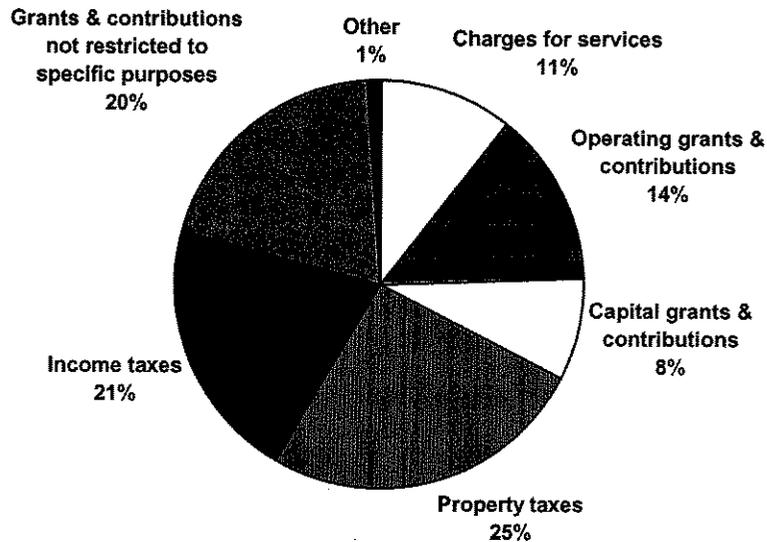
- Federal grant revenues increased over \$ 1.8 million. The most significant portion of this increase is related to the funding of various construction projects in the Major Street Fund.
- Property taxes increased by approximately \$1,350,608 (17.4 percent) during the year. Most of this increase is the result of first year levy of the voted millage utilized to finance the City Hall Renovation Project (\$538,827), an increase in the Act 345 Police and Fire Pension millage of \$295,721 and an increase in the captured Brownfield tax increments of approximately \$163,000. Other increases were largely due to the increase in the tax base – largely inflationary but with some new growth as a result of new construction.
- Income taxes increased approximately \$ 316,000 (4.5 percent) due to higher employment coupled with inflationary wage increases.

**Expenses and Program Revenues - Governmental Activities**



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**Revenues by Source - Governmental Activities**



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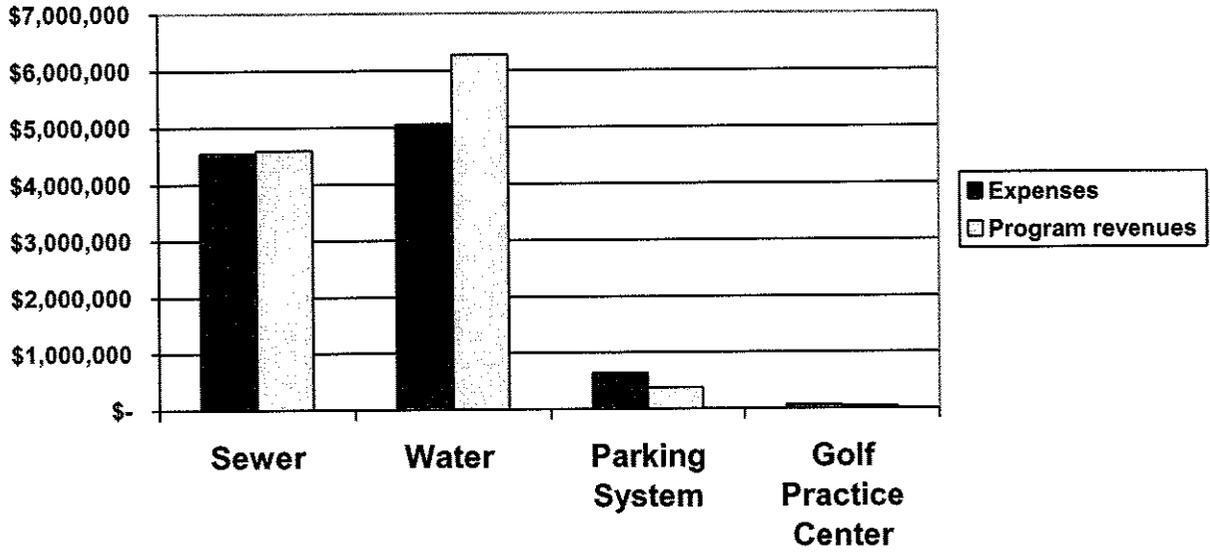
**Business-type activities.** Business-type activities increased the City's net assets by \$1,802,102, comprising 42% of the total increase in net assets of \$ 4,244,247.

- Key elements of this increase are as follows:

- While this increase is below that of the prior fiscal year (\$2,493,256) charges for services continue to keep pace with the inflationary rise of related expenses.
- During the fiscal year water and sewer rates were increased an average of 2.56 and 2.20 percent, respectively.
- There were no capital contributions in fiscal year 2005, down from \$ 1,253,130 in the prior year when the parking decks were completed and the capitalized costs were transferred from construction in progress recorded within the government activities.
- Contributions not restricted to specific purposes increased over 50 percent, from \$299,455 to \$451,473, largely as a result of an agreement between the City's Sewage Treatment Plant and one of the bordering townships. That agreement required a one-time capital charge of \$ 190,712 to be paid by the township to the City to recover costs incurred by the City related in the creation of wastewater service capacity released to that township.

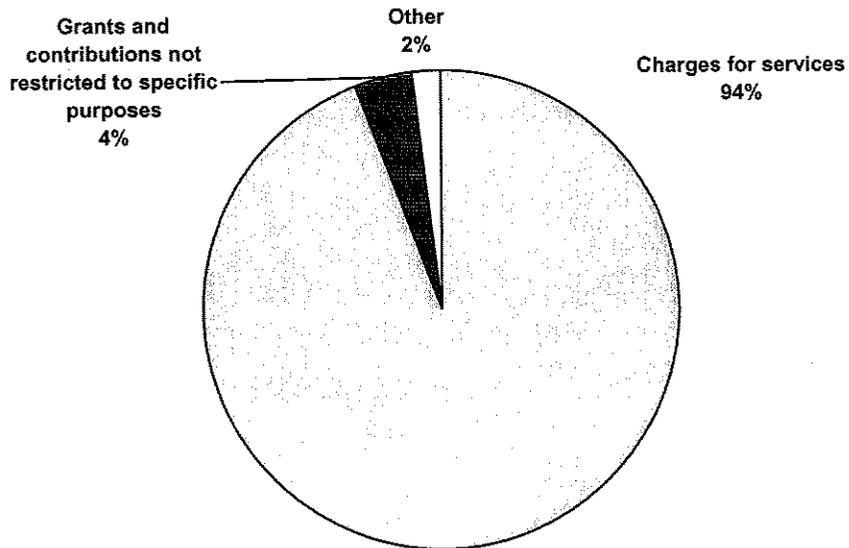
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**Expenses and Program Revenues - Business-type Activities**



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**Revenues by Source - Business-type Activities**



## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City'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'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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,360,431, a decrease of \$8,110,218 in comparison with the prior year. Approximately 70% of this total amount (\$8.65 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to generate income for cemetery perpetual care and endowments related to Ella Sharp Park and facilities (\$2,692,098), 2) for residential property rehabilitation programs (\$430,983), 3) for funds advanced on a long term basis from the General Fund to the Community Development Block Grant Fund (\$100,000), or 4) for inventory and prepaid expenditures (\$61,290 and \$426,767, respectively).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,129,904, while total fund balance was \$3,706,603. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.4 percent of total general fund expenditures while total fund balance represents 17.1 percent of total general fund expenditures.

The fund balance of the City's General Fund decreased by (\$281,363) during the current fiscal year. Increases in property, income taxes and miscellaneous revenues were somewhat offset by increases in certain expenditure categories, namely public safety, as well as transfers out to the Local Street Fund and Budget Stabilization Fund.

The Major Street fund has a total fund balance of \$848,532, which increased by \$345,695 during the year. Final budget estimates anticipated a larger reduction of fund balance, however, this did not materialize due to unforeseen delays attributable to certain street construction projects that will be carried over into the current fiscal year. As a result, the City is expected to use nearly the majority of this fund balance for these and other projects this current fiscal year.

The Community Development Block Grant Fund had an increase in fund balance for the current year of \$7,467 resulting in an ending total of \$430,983. This entire ending fund balance is reserved for the City's Residential Property Rehabilitation Programs.

The 2003 City Hall Construction Fund has a total fund balance of \$1,078,207. This fund was established during fiscal year 2004 following the voter-approved sale of \$10 million in bonds to renovate and reconstruct the existing city hall building. Over \$7.3 million of bond proceeds were expended in the 2005 fiscal year. The ending fund balance will be eliminated during the current fiscal year as construction is finalized.

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

Unrestricted net assets of the Sewer Fund and Water Fund at the end of the year amounted to \$7,991,878 and \$5,938,118, respectively. The Sewer Fund had an increase in net assets for the year of \$492,115, whereas the Water Fund had an increase of \$1,469,069. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original and final amended budgeted revenues were largely attributable to charges for services and income tax revenues at levels less than budgeted. The charges for services unfavorable budget variance is due to several varying line items, some of a timing nature, some related to a decline in the related service expenditure and some due merely to drops in the service level demand. Income taxes were projected to reach \$7.45 million based on trend analysis performed near the third quarter of the fiscal year, however actual revenues resulted in only \$7.3 million after fourth quarter collections fell below projections.

While General Fund actual revenues were below budgetary estimates, expenditures were less by an even greater disparity, resulting in a decrease in fund balance of only (\$281,363) that was far less than the final amended budget anticipated amount of (\$917,543) by \$636,180. Those General Fund activity budgets that were exceeded were, in most instances, due to unanticipated year-end expenditures.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$126,824,600 (net of accumulated depreciation). This investment in capital assets includes land, systems, land improvements, infrastructure, buildings and improvements, park and recreation facilities, machinery and equipment and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 7.5 percent (a 15.3 percent increase for governmental activities and a 0.7 percent decrease for business-type activities).

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

- Continuation of work of approximately \$ 7.4 million on the City Hall Renovation Project, which is being completed in the current fiscal year.
- Infrastructure additions totaling \$ 4.2 million
- Various water and sewer improvements totaling approximately \$1.8 million.

### City of Jackson's Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 2,440,383	\$ 2,440,383	\$ 8,956,887	\$ 8,956,887	\$ 11,397,270	\$ 11,397,270
Systems	-	-	31,734,099	31,219,473	31,734,099	31,219,473
Land improvements	15,430,510	15,478,934	1,937,248	2,019,269	17,367,758	17,498,203
Infrastructure	33,700,092	31,445,039	-	-	33,700,092	31,445,039
Buildings and improvements	3,326,206	3,428,070	11,508,241	11,777,600	14,834,447	15,205,670
Park and recreation facilities	3,731,330	3,728,642	-	-	3,731,330	3,728,642
Machinery and equipment	2,276,421	2,539,504	3,028,197	3,327,618	5,304,618	5,867,122
Construction in progress	8,754,988	1,345,879	-	243,740	8,754,988	1,589,619
<b>Total</b>	<b>\$69,659,930</b>	<b>\$60,406,451</b>	<b>\$57,164,672</b>	<b>\$57,544,587</b>	<b>\$126,824,602</b>	<b>\$117,951,038</b>

Additional information on the City's capital assets can be found in note 3-C on pages 47-49 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$52,988,577. Of this amount, \$49,028,577 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Jackson's Outstanding Debt**  
General Obligation and Revenue Bonds

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 49,028,577	\$ 49,688,577	\$ -	\$ -	\$ 49,028,577	\$ 49,688,577
Special assessment bonds	-	85,000	-	-	-	85,000
Revenue bonds	-	-	3,960,000	4,530,000	3,960,000	4,530,000
<b>Total</b>	<b>\$ 49,028,577</b>	<b>\$ 49,773,577</b>	<b>\$ 3,960,000</b>	<b>\$ 5,205,000</b>	<b>\$ 52,988,577</b>	<b>\$ 54,303,577</b>

The City's total bonded debt decreased by \$1,315,000 (2.4 percent) during the current fiscal year. No new debt was issued and \$1,315,000 in existing bonded debt maturities were retired.

The City has an "A-" rating from Standard & Poor's for general obligation debt. The revenue bonds of the Water Fund have been rated "A2" by Moody's and "A" by Standard & Poor's. The Sewer Fund revenue bonds were not rated.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$92,551,455, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note 3-F on pages 51-54 of this report.

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

The following factors were considered in preparing the City's budget for the 2005/06 fiscal year:

- The unemployment rate for the City is currently 7.6 percent (10/05), which is a decrease from a rate of 8.9 percent a year ago. This compares unfavorably to the state's average unemployment rate of 6.1 percent and the national average rate of 5.0 percent. While the City's unemployment rate is comparatively high, the number of unemployed has decreased from 1,650 a year ago to the current level of 1,364.
- Ad valorem taxable values have increased a modest 2.2 percent over the prior fiscal year, which includes both allowable inflationary increases (2.3 percent) as well as some slight decline in personal property values as a result of depreciation.
- Inflationary trends in the region compare favorably to national indices.

During the 2005 fiscal year, unreserved fund balance in the General Fund increased to approximately \$3.1 million. The City has appropriated approximately \$1.15 million of this amount for spending in the 2005/06 fiscal year budget. Such appropriation is intended to offset stagnant growth in state shared revenues while attempting to maintain current staffing levels and service commitments to the public.

### **Requests for Information**

This financial report is designed to provide a general overview of the City'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 Finance Director, 161 W. Michigan Avenue, Jackson, Michigan 49201.

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## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Jackson, Michigan**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Government			Component Units	
	Governmental	Business-type	Total	Brownfield	Downtown
	Activities	Activities		Redevelopment	Development
				Authority	Authority
<b>Assets :</b>					
Cash and cash equivalents	\$ 11,717,207	\$ 14,125,748	\$ 25,842,955	\$ 2,145,348	\$ 168,786
Investments, at fair value	2,563,496	-	2,563,496	-	-
Receivables, net	7,655,110	2,656,903	10,312,013	-	13,447
Interfund balances	139,378	(139,378)	-	-	-
Prepays and other assets	676,064	247,776	923,840	-	-
Capital assets not being depreciated	11,195,371	8,956,886	20,152,257	-	-
Capital assets being depreciated, net	58,464,558	48,207,785	106,672,343	-	-
<b>Total assets</b>	<b>92,411,184</b>	<b>74,055,720</b>	<b>166,466,904</b>	<b>2,145,348</b>	<b>182,233</b>
<b>Liabilities :</b>					
Accounts payable and accrued liabilities	3,954,737	455,662	4,410,399	107,138	5,198
Unearned revenue	1,185,201	125,000	1,310,201	-	-
Long-term debt:					
Due within one year	1,309,463	457,557	1,767,020	-	-
Due in more than one year	52,026,553	4,250,525	56,277,078	-	-
<b>Total liabilities</b>	<b>58,475,954</b>	<b>5,288,744</b>	<b>63,764,698</b>	<b>107,138</b>	<b>5,198</b>
<b>Net Assets :</b>					
Invested in capital assets, net of related debt	19,477,559	52,754,671	72,232,230	-	-
Restricted for:					
Debt service	30,986	1,447,009	1,477,995	-	-
Capital projects	782,335	-	782,335	-	-
Endowments - nonexpendable	2,692,098	-	2,692,098	-	-
Other purposes	4,061,504	-	4,061,504	-	-
Unrestricted	6,890,748	14,565,296	21,456,044	2,038,210	177,035
<b>Total net assets</b>	<b>\$ 33,935,230</b>	<b>\$ 68,766,976</b>	<b>\$ 102,702,206</b>	<b>\$ 2,038,210</b>	<b>\$ 177,035</b>

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government :</b>					
<b>Governmental activities :</b>					
Legislative	\$ 70,428	\$ -	\$ -	\$ -	(70,428)
General government	4,162,208	1,292,556	70,573	-	(2,799,079)
Public safety	15,211,748	690,891	202,709	-	(14,318,148)
Public works	5,602,686	260,599	2,854,732	2,874,187	386,832
Culture and recreation	2,638,497	1,157,118	3,079	-	(1,478,300)
Community enrichment and development	2,977,181	367,428	1,741,976	11,000	(856,777)
Interest on long-term debt	2,125,358	-	-	1	(2,125,357)
<b>Total governmental activities</b>	<b>32,788,106</b>	<b>3,768,592</b>	<b>4,873,069</b>	<b>2,885,188</b>	<b>(21,261,257)</b>
<b>Business-type activities :</b>					
Golf practice center	67,222	47,841	-	-	(19,381)
Parking system	638,752	378,523	-	-	(260,229)
Sewer	4,545,475	4,595,743	-	-	50,268
Water	5,048,903	6,275,163	-	-	1,226,260
<b>Total business-type activities</b>	<b>10,300,352</b>	<b>11,297,270</b>	<b>-</b>	<b>-</b>	<b>996,918</b>
<b>Total primary government</b>	<b>\$ 43,088,458</b>	<b>\$ 15,065,862</b>	<b>\$ 4,873,069</b>	<b>\$ 2,885,188</b>	<b>\$ (20,264,339)</b>
<b>Component units :</b>					
Brownfield redevelopment	\$ 310,219	\$ -	\$ -	\$ -	(310,219)
Downtown development	161,231	46,591	37,800	-	(76,840)
<b>Total component units</b>	<b>\$ 471,450</b>	<b>\$ 46,591</b>	<b>\$ 37,800</b>	<b>\$ -</b>	<b>(387,059)</b>

continued...

**City of Jackson, Michigan**  
**Statement of Activities (Concluded)**  
**For the Fiscal Year Ended June 30, 2005**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
<b>Net revenue (expense)</b>	\$ (21,261,257)	\$ 996,918	\$ (20,264,339)	\$ (310,219)	\$ (76,840)
<b>General revenues :</b>					
Property taxes	9,105,344	-	9,105,344	1,334,954	93,270
Income taxes	7,300,012	-	7,300,012	-	-
Grants and contributions not restricted to specific purposes	7,057,734	451,473	7,509,207	-	6,347
Unrestricted interest earnings	290,837	249,120	539,957	18,208	2,281
Gain on sale of capital assets	54,066	-	54,066	-	-
<b>Transfers</b>	(104,591)	104,591	-	-	-
 Total general revenues and transfers	 23,703,402	 805,184	 24,508,586	 1,353,162	 101,898
 Change in net assets	 2,442,145	 1,802,102	 4,244,247	 1,042,943	 25,058
<b>Net Assets :</b>					
Beginning of year	31,493,085	66,964,874	98,457,959	995,267	151,977
End of year	\$ 33,935,230	\$ 68,766,976	\$ 102,702,206	\$ 2,038,210	\$ 177,035

The accompanying notes are an integral part of these financial statements.

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## **FUND FINANCIAL STATEMENTS**

**City of Jackson, Michigan**  
**Governmental Funds Balance Sheet**  
**June 30, 2005**

	General	Major Street	Community Development Block Grant	Special Assessment Capital Projects	2003 City Hall Construction Fund	Nonmajor Funds	Totals
<b>Assets :</b>							
Cash and cash equivalents	\$ 809,415	\$ 383,484	\$ 365,613	\$ -	\$ 2,655,359	\$ 4,523,683	\$ 8,737,554
Investments at fair value	-	-	-	-	-	2,563,496	2,563,496
Accounts receivables (net of allowances for uncollectibles)	485,130	56,489	-	-	-	63,079	604,698
Taxes receivable	1,738,324	-	-	-	-	-	1,738,324
Other receivables	-	-	-	829,165	-	34,953	864,118
Due from other funds	62,200	-	61,666	-	-	37,496	161,362
Due from other governmental units:							
State of Michigan	2,506,439	449,999	-	-	-	111,569	3,068,007
Federal Government	5,650	-	-	-	-	-	5,650
Inventories, at cost	49,932	-	-	-	-	11,558	61,290
Prepaid expenditures	426,767	-	-	-	-	-	426,767
Restricted assets - cash and cash equivalents	-	-	247,326	-	-	-	247,326
Loans receivable	-	-	1,269,125	-	-	-	1,269,125
Long-term advances to other funds	100,000	-	-	-	-	140,000	240,000
<b>Total assets</b>	<b>\$ 6,183,857</b>	<b>\$ 889,972</b>	<b>\$ 1,943,730</b>	<b>\$ 829,165</b>	<b>\$ 2,655,359</b>	<b>\$ 7,485,634</b>	<b>\$ 19,987,717</b>

Continued

**City of Jackson, Michigan**  
**Governmental Funds Balance Sheet (Concluded)**  
**June 30, 2005**

	General	Major Street	Community Development Block Grant	Special Assessment Capital Projects	2003 City Hall Construction Fund	Nonmajor Funds	Totals
<b>Liabilities and Fund Balances :</b>							
<b>Liabilities :</b>							
Accounts payable	\$ 674,045	\$ 28,534	\$ 29,130	\$ -	\$ 1,577,152	\$ 115,201	\$ 2,424,062
Accrued payroll	432,701	12,906	21,288	-	-	40,534	507,429
Other liabilities	80,587	-	-	-	-	11,422	92,009
Due to other funds	56,233	-	1,659	21,761	-	82,331	161,984
Deferred revenue	1,000,000	-	1,360,670	829,165	-	112,813	3,302,648
Other accrued liabilities	233,688	-	-	-	-	-	233,688
Long-term advances from:							
General Fund	-	-	100,000	-	-	-	100,000
Workers Compensation Fund	-	-	-	805,466	-	-	805,466
<b>Total liabilities</b>	<b>2,477,254</b>	<b>41,440</b>	<b>1,512,747</b>	<b>1,656,392</b>	<b>1,577,152</b>	<b>362,301</b>	<b>7,627,286</b>
<b>Fund Balances (Deficit) :</b>							
Reserved for:							
Residential property rehabilitation programs	-	-	430,983	-	-	-	430,983
Inventory	49,932	-	-	-	-	11,358	61,290
Prepaid expenditures	426,767	-	-	-	-	-	426,767
Perpetual care and endowment	-	-	-	-	-	-	-
Advances	100,000	-	-	-	-	2,692,098	2,692,098
Unreserved:							
Designated for subsequent year's expenditures	1,149,514	331,267	-	-	-	-	1,480,781
Designated, reported in nonmajor Special revenue funds	-	-	-	-	-	256,965	256,965
Undesignated (deficit)	1,980,390	517,265	-	(827,227)	1,078,207	-	2,748,635
Undesignated, reported in nonmajor:							
Special revenue funds	-	-	-	-	-	2,513,666	2,513,666
Debt service funds	-	-	-	-	-	30,986	30,986
Capital projects funds	-	-	-	-	-	1,609,562	1,609,562
Permanent funds	-	-	-	-	-	8,698	8,698
<b>Total fund balances (deficit)</b>	<b>3,706,603</b>	<b>848,532</b>	<b>430,983</b>	<b>(827,227)</b>	<b>1,078,207</b>	<b>7,123,333</b>	<b>12,360,431</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,183,857</b>	<b>\$ 889,972</b>	<b>\$ 1,943,730</b>	<b>\$ 829,165</b>	<b>\$ 2,655,359</b>	<b>\$ 7,485,634</b>	<b>\$ 19,987,717</b>

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**June 30, 2005**

Fund balances - total governmental funds	\$	12,360,431
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets		156,919,235
Subtract: accumulated depreciation		(87,769,585)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred loans receivable		1,269,125
Add: deferred special assessments		848,321

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds		3,462,115
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.

Add: unamortized bond discount		142,007
Subtract: bonds, contracts and loans payable		(51,260,577)
Subtract: long term compensated absences		(1,743,475)
Subtract: accrued interest on long-term liabilities		(292,367)

Net assets of governmental activities	\$	<u>33,935,230</u>
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The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2005**

	General	Major Street	Community Development Block Grant	Special Assessment Capital Projects	2003 City Hall Construction Fund	Nonmajor Funds	Totals
<b>Revenues :</b>							
Property taxes	\$ 6,543,352	\$ -	\$ -	\$ -	\$ -	\$ 2,482,333	\$ 9,025,685
Income taxes	7,300,012	-	-	-	-	-	7,300,012
Licenses and permits	254,973	-	-	-	-	-	254,973
Intergovernmental :							
Federal grants	66,893	2,624,702	1,359,550	-	-	474,609	4,525,844
State grants & shared revenues	5,515,017	2,194,506	-	-	-	609,745	8,319,268
Changes for services	1,338,854	-	-	-	-	1,493,975	2,832,829
Fines & forfeits	258,178	-	-	-	-	-	258,178
Special assessments	105,190	-	(61,485)	241,602	-	7,929	249,531
Investment income	1,392,079	188,323	448,178	-	98,184	169,725	311,614
Miscellaneous	1,392,079	188,323	448,178	-	98,184	169,725	311,614
Total revenues	22,774,548	5,007,531	1,746,243	241,602	98,184	5,345,354	35,213,462
<b>Expenditures :</b>							
Current :							
Legislative	70,428	-	-	-	-	-	70,428
General government	4,481,144	-	-	-	-	-	4,481,144
Public safety	14,010,760	-	441,022	-	-	800,474	15,252,256
Public works	1,414,892	5,632,940	-	(1)	-	813,030	7,860,861
Culture and recreation	1,508,574	-	-	-	-	924,167	2,432,741
Community entitlement and development	190,797	-	930,929	-	-	694,819	1,816,545
Capital outlay	-	-	-	-	7,409,110	685,249	8,094,359
Debt service:							
Principal retirement	-	-	-	-	-	1,039,000	1,039,000
Interest and fiscal charges	-	-	-	-	-	2,243,834	2,243,834
Total expenditures	21,676,595	5,632,940	1,371,951	(1)	7,409,110	7,200,573	43,291,168
Excess of revenues over (under) expenditures	1,097,953	(625,409)	374,292	241,603	(7,310,926)	(1,855,219)	(8,077,706)
<b>Other Financing Sources (Uses) :</b>							
Proceeds from sale of capital assets	17,809	-	-	-	-	54,270	72,079
Transfers in	206,969	1,387,572	-	-	-	2,804,915	4,399,406
Transfers (out)	(1,604,094)	(416,418)	(366,825)	(333,776)	-	(1,782,884)	(4,503,997)
Total other financing sources (uses)	(1,379,316)	971,104	(366,825)	(333,776)	-	1,076,301	(32,512)
Net change in fund balances	(281,363)	345,695	7,467	(92,173)	(7,310,926)	(778,918)	(8,110,218)
<b>Fund Balances (Deficit) - Beginning of year</b>							
<b>Fund Balances (Deficit) - End of year</b>	\$ 3,706,603	\$ 848,532	\$ 430,983	\$ (827,227)	\$ 1,078,207	\$ 7,123,333	\$ 12,360,451

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

Net change in fund balances - total governmental funds \$ (8,110,218)

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

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.

Add: capital outlay	12,036,893
Add: gain on sale of capital assets	54,066
Subtract: proceeds from sale of capital assets	(72,079)
Subtract: depreciation expense	(2,627,945)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: current year special assessment revenue earned greater than receipts	79,659
Subtract: current year loan receivable receipts	(80,750)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	1,039,000
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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.

Add: decrease in accrued interest payable on bonds	125,238
Subtract: amortization of bond discount	(6,762)
Subtract: increase in the accrual of compensated absences	(127,185)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service funds	68,709
Add: net operating income from governmental activities accounted for in internal service funds	63,519

Change in net assets of governmental activities	\$ 2,442,145
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The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>					
Property taxes	\$ 6,439,173	\$ 6,456,537	\$ 6,543,352	\$ 86,815	\$ 6,023,451
Income taxes	7,175,000	7,450,000	7,300,012	(149,988)	6,984,060
Licenses & permits	220,950	260,850	254,973	(5,877)	216,538
<b>Intergovernmental:</b>					
Federal grants	16,222	149,774	66,893	(82,881)	91,973
State shared revenues & grants	5,565,742	5,603,709	5,515,017	(88,692)	5,677,601
Charges for services	1,498,093	1,512,893	1,338,854	(174,039)	1,441,380
Fines & forfeits	259,500	255,514	258,178	2,664	264,746
Investment income	110,000	105,000	105,190	190	73,972
Miscellaneous	137,732	1,418,136	1,392,079	(26,057)	402,960
Total revenues	<u>21,422,412</u>	<u>23,212,413</u>	<u>22,774,548</u>	<u>(437,865)</u>	<u>21,176,681</u>
<b>Expenditures :</b>					
<b>Current:</b>					
<b>Legislative :</b>					
City Council	72,390	71,547	70,428	(1,119)	76,344
<b>General Government :</b>					
City Manager	389,815	417,503	409,199	(8,304)	438,012
City Clerk - Elections	112,447	121,076	103,062	(18,014)	104,984
Finance	372,524	370,024	368,852	(1,172)	353,542
City Assessor	383,963	375,894	361,954	(13,940)	360,415
City Attorney	421,715	397,591	389,354	(8,237)	403,987
City Clerk	194,915	190,471	188,952	(1,519)	184,750
Personnel	319,587	315,526	293,205	(22,321)	291,417
Purchasing	153,602	152,469	148,035	(4,434)	161,470
City Treasurer	284,754	324,254	318,084	(6,170)	263,609
City Income Tax Administration	236,950	233,950	201,525	(32,425)	253,216
Management Information Services	271,262	272,067	248,933	(23,134)	407,733
City Hall & Grounds	354,623	410,167	419,385	9,218	299,640
Cemeteries	387,970	402,161	407,666	5,505	382,338
Hearing Bureau	-	20,000	5,475	(14,525)	-
Unallocated	654,474	822,808	617,463	(205,345)	461,585
	<u>4,538,601</u>	<u>4,825,961</u>	<u>4,481,144</u>	<u>(344,817)</u>	<u>4,366,698</u>
<b>Public Safety :</b>					
<b>Police :</b>					
General	7,785,590	8,025,559	7,833,623	(191,936)	7,380,865
Youth Services Unit	264,750	264,750	244,575	(20,175)	201,611
Resident Officer	264,673	-	-	-	236,880
NFBP Grant	-	52,491	15,599	(36,892)	44,741
STEP Grant	755	36,756	36,756	-	47,097
JCCAE Grant	5,755	7,083	6,516	(567)	7,783
MCOLES Training	-	-	8,490	8,490	675
In-Service Training	14,834	16,674	16,674	-	7,740
Consortium Training	-	20,402	3,605	(16,797)	-
<b>Fire :</b>					
Administration	327,401	254,801	241,281	(13,520)	263,632
Suppression	4,158,331	4,360,168	4,227,541	(132,627)	4,003,272
Prevention	124,544	33,371	18,381	(14,990)	22,023
Training	192,470	188,350	192,972	4,622	160,754
Police & Fire - Unallocated	1,047,099	1,142,224	1,127,323	(14,901)	769,301
Emergency Measures	63,449	63,449	37,424	(26,025)	60,940
Total Public Safety	<u>14,249,651</u>	<u>14,466,078</u>	<u>14,010,760</u>	<u>(455,318)</u>	<u>13,207,314</u>

continued...

**City of Jackson, Michigan**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual (Continued)**  
**For the Fiscal Year Ended June 30, 2005**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Expenditures (concluded):</b>					
<b>Current (concluded) :</b>					
<b>Public Works :</b>					
Tax Property Maintenance	\$ 74,350	\$ 66,156	\$ 36,507	\$ (29,649)	\$ 67,561
Civic Affairs	145,142	106,336	84,144	(22,192)	103,563
Drains at Large	83,925	77,093	67,599	(9,494)	58,614
Storm Drain Construction	98,000	61,864	7,858	(54,006)	46,320
Grounds Maintenance	209,587	189,199	172,120	(17,079)	300,140
Sidewalk Construction	261,050	253,650	102,402	(151,248)	123,642
Street Lighting	377,362	385,129	380,818	(4,311)	353,530
Forestry	499,941	530,827	551,875	21,048	610,131
Weed Control	50,562	22,862	8,727	(14,135)	21,914
Emergency Equipment	7,734	7,412	2,842	(4,570)	4,774
	<u>1,807,653</u>	<u>1,700,528</u>	<u>1,414,892</u>	<u>(285,636)</u>	<u>1,690,189</u>
<b>Culture &amp; Recreation :</b>					
Parks & Recreation Administration	648,210	653,180	646,807	(6,373)	623,014
Recreation - Millage Programs	145,000	154,428	133,980	(20,448)	167,537
Parks & Facilities Maintenance	497,512	497,512	499,867	2,355	509,562
Lt. Nixon Memorial Pool	170,486	170,486	131,713	(38,773)	139,405
Sharp Park Swimming Pool	118,321	119,721	96,207	(23,514)	107,635
Total Culture & Recreation	<u>1,579,529</u>	<u>1,595,327</u>	<u>1,508,574</u>	<u>(86,753)</u>	<u>1,547,153</u>
<b>Community Enrichment &amp; Development :</b>					
Planning	99,768	99,568	113,457	13,889	141,175
DDA and Equity Grants	37,800	37,800	37,800	-	37,800
Historical District	38,381	38,374	36,025	(2,349)	48,363
Human Relations	8,606	12,313	3,515	(8,798)	27,442
Total Community Enrichment & Development	<u>184,555</u>	<u>188,055</u>	<u>190,797</u>	<u>2,742</u>	<u>254,780</u>
Total General Fund Expenditures	<u>22,432,379</u>	<u>22,847,496</u>	<u>21,676,595</u>	<u>(1,170,901)</u>	<u>21,142,478</u>
Excess of revenues over (under) expenditures	<u>(1,009,967)</u>	<u>364,917</u>	<u>1,097,953</u>	<u>733,036</u>	<u>34,203</u>

continued...

**City of Jackson, Michigan**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual (Concluded)**  
**For the Fiscal Year Ended June 30, 2005**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Other Financing Sources (Uses) :</b>					
Proceeds from sale of capital assets	\$ 15,760	\$ 15,760	\$ 17,809	\$ 2,049	\$ 10,624
<b>Transfers in :</b>					
Public Improvement Fund	188,000	151,864	82,662	(69,202)	68,589
Budget Stabilization Fund	15,000	15,000	11,158	(3,842)	7,253
Community Development Block Grant Fund	91,062	25,000	57,673	32,673	131,000
Cemetery Perpetual Maintenance Fund	65,000	70,000	55,476	(14,524)	64,992
<b>Transfers (out) :</b>					
Local Street Fund	-	(250,000)	(250,000)	-	(5,000)
Housing Initiative Fund	(50,000)	(70,000)	(70,000)	-	(50,000)
Land Acquisition Fund	-	-	-	-	(150,000)
Local Law Enforcement Block Grant Fund	-	(3,675)	(3,675)	-	(7,003)
Capital Projects Fund	-	(22,850)	(29,124)	(6,274)	-
Ella W. Sharp Park Operating	-	-	(60,000)	(60,000)	(18,500)
Building Department	(230,621)	(197,264)	(175,000)	22,264	(70,000)
Budget Stabilization Fund	-	(1,000,000)	(1,000,000)	-	-
Parking Assessment Fund	(18,880)	(16,295)	(16,295)	-	(18,880)
Total other financing sources (uses)	75,321	(1,282,460)	(1,379,316)	(96,856)	(36,925)
Net change in fund balances	(934,646)	(917,543)	(281,363)	636,180	(2,722)
<b>Fund Balance - Beginning of Year</b>	3,987,966	3,987,966	3,987,966	-	3,990,688
<b>Fund Balance - End of Year</b>	\$ 3,053,320	\$ 3,070,423	\$ 3,706,603	\$ 636,180	\$ 3,987,966

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Major Street Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			Actual Over (Under) Final Budget	2004 Actual
	Original Budget	Final Budget	Actual		
<b>Revenues :</b>					
Intergovernmental :					
Federal grants	\$ 1,020,663	\$ 3,050,078	\$ 2,624,702	\$ (425,376)	\$ 473,007
State grants	-	-	(1,587)	(1,587)	227,106
Gas & weight tax distribution	1,932,790	1,950,337	1,995,245	44,908	2,078,020
Trunkline maintenance reimbursement	184,269	184,269	200,848	16,579	185,710
Miscellaneous	43,000	172,408	188,323	15,915	212,984
Total revenues	<u>3,180,722</u>	<u>5,357,092</u>	<u>5,007,531</u>	<u>(349,561)</u>	<u>3,176,827</u>
<b>Expenditures :</b>					
Current :					
Public works					
Street construction	571,782	453,093	450,625	(2,468)	1,109,655
Street maintenance	570,000	577,500	549,501	(27,999)	618,932
Bridge maintenance	36,681	20,990	11,510	(9,480)	9,537
Bridge construction	162,760	158,041	127,251	(30,790)	30,623
Traffic services	538,443	532,023	518,087	(13,936)	519,213
Winter maintenance	380,000	281,000	273,140	(7,860)	327,393
Trunkline maintenance	184,269	184,269	183,479	(790)	173,155
State highway construction	1,222,000	4,056,927	3,519,347	(537,580)	732,527
Total expenditures	<u>3,665,935</u>	<u>6,263,843</u>	<u>5,632,940</u>	<u>(630,903)</u>	<u>3,521,035</u>
Excess of revenues over (under) expenditures	<u>(485,213)</u>	<u>(906,751)</u>	<u>(625,409)</u>	<u>281,342</u>	<u>(344,208)</u>
<b>Other Financing Sources (Uses) :</b>					
Transfers in :					
Community Development Block Grant Fund	-	180,069	180,069	-	219,931
Special Assessment Capital Projects Fund	122,500	259,416	259,417	1	192,703
Public Improvement Fund	450,000	717,992	717,992	-	182,008
2001 DDA TIF Capital Projects Fund	-	-	-	-	60,000
Major/Local Streets Capital Projects	213,360	225,234	230,044	4,810	351,338
Transfers (out) :					
Michigan Transportation Debt Service Fund	(266,618)	(266,618)	(266,418)	200	(161,276)
State Infrastructure Loan Debt Service Fund	-	-	-	-	(181,661)
Local streets	(150,000)	(150,000)	(150,000)	-	(100,000)
Total other financing sources (uses)	<u>369,242</u>	<u>966,093</u>	<u>971,104</u>	<u>5,011</u>	<u>563,043</u>
Net change in fund balances	<u>(115,971)</u>	<u>59,342</u>	<u>345,695</u>	<u>286,353</u>	<u>218,835</u>
<b>Fund Balance - Beginning of Year</b>	<u>502,837</u>	<u>502,837</u>	<u>502,837</u>	<u>-</u>	<u>284,002</u>
<b>Fund Balance - End of Year</b>	<u>\$ 386,866</u>	<u>\$ 562,179</u>	<u>\$ 848,532</u>	<u>\$ 286,353</u>	<u>\$ 502,837</u>

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Community Development Block Grant Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>					
Intergovernmental - Federal grants	\$ 3,765,106	\$ 3,765,106	\$ 1,359,550	\$ (2,405,556)	\$ 1,383,026
Investment income	(37,805)	(37,805)	(61,485)	(23,680)	5,316
Miscellaneous	(70,422)	(70,422)	448,178	518,600	537,598
Total revenues	<u>3,656,879</u>	<u>3,656,879</u>	<u>1,746,243</u>	<u>(1,910,636)</u>	<u>1,925,940</u>
<b>Expenditures :</b>					
<b>Current :</b>					
<b>Public safety :</b>					
Code enforcement	812,203	812,203	441,022	(371,181)	470,966
<b>Community enrichment &amp; development</b>					
Rehabilitation	1,605,938	1,605,938	544,522	(1,061,416)	374,510
Rehab Loans	9,786	9,786	130	(9,656)	202,869
Public services	195,957	195,957	96,134	(99,823)	85,357
Administration	635,857	635,857	250,241	(385,616)	295,965
Economic development	16,500	16,500	16,500	-	548,789
Paint program	14,999	14,999	620	(14,379)	-
Street construction - special assessments	6,171	6,171	-	(6,171)	2,829
Jackson Affordable Housing	58,188	58,188	22,782	(35,406)	11,439
Total expenditures	<u>3,355,599</u>	<u>3,355,599</u>	<u>1,371,951</u>	<u>(1,983,648)</u>	<u>1,992,724</u>
Excess of revenues over expenditures	<u>301,280</u>	<u>301,280</u>	<u>374,292</u>	<u>73,012</u>	<u>(66,784)</u>
<b>Other Financing Uses :</b>					
<b>Transfers (out) :</b>					
General Fund	(57,673)	(57,673)	(57,673)	-	(131,000)
Capital Projects	(1,659)	(1,659)	(1,659)	-	(153,168)
Major Street Fund	(180,069)	(180,069)	(180,069)	-	(219,931)
Local Street Fund	-	-	-	-	(12,466)
Debt Service Fund	(127,424)	(127,424)	(127,424)	-	(130,278)
Total other financing sources (uses)	<u>(366,825)</u>	<u>(366,825)</u>	<u>(366,825)</u>	<u>-</u>	<u>(646,843)</u>
Net change in fund balances	<u>(65,545)</u>	<u>(65,545)</u>	<u>7,467</u>	<u>73,012</u>	<u>(713,627)</u>
<b>Fund Balance - Beginning of Year</b>	<u>423,516</u>	<u>423,516</u>	<u>423,516</u>	<u>-</u>	<u>1,137,143</u>
<b>Fund Balance - End of Year</b>	<u>\$ 357,971</u>	<u>\$ 357,971</u>	<u>\$ 430,983</u>	<u>\$ 73,012</u>	<u>\$ 423,516</u>

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Fund Net Assets - Proprietary Funds**  
**June 30, 2005**

	Enterprise Funds - Business-type Activities				Totals	Governmental Activities
	Sewage	Water	Parking Deck	Nonmajor Funds		
<b>Assets :</b>						
<b>Current Assets :</b>						
Cash and cash equivalents	\$ 7,195,445	\$ 4,573,263	\$ 507,935	\$ 402,096	\$ 12,678,739	\$ 2,732,327
Receivables (net of allowances for uncollectibles) :						
Accounts	1,003,564	1,653,339	-	-	2,656,903	105,188
Due from other funds	-	-	-	622	622	-
Inventories	-	247,776	-	-	247,776	-
Prepaid items	-	-	-	-	-	46,000
Restricted cash and cash equivalents - bond reserve	199,000	492,000	-	-	691,000	-
Restricted cash and cash equivalents - bond redemption	267,900	488,109	-	-	756,009	-
Total current assets	8,665,909	7,454,487	507,935	402,718	17,031,049	2,883,515
<b>Noncurrent Assets :</b>						
Long-term advances	-	-	-	-	-	805,466
Special Assessment Capital Projects Fund						
Capital assets						
Land and land improvements	185,960	156,457	8,668,666	2,756,544	11,767,627	-
Buildings	249,947	595,682	11,539,323	-	12,384,952	-
Systems	31,976,962	29,077,879	-	-	61,054,841	-
Equipment	8,947,470	1,186,098	-	-	10,133,568	3,239,581
Less : Accumulated depreciation	41,360,339	31,016,116	20,207,989	2,756,544	95,340,988	3,239,581
Net capital assets	24,319,993	12,790,320	525,886	540,118	38,176,317	2,729,301
Total noncurrent assets	17,040,346	18,225,796	19,682,103	2,216,426	57,164,671	510,280
Total assets	17,040,346	18,225,796	19,682,103	2,216,426	57,164,671	1,315,746
Total assets	25,706,255	25,680,283	20,190,038	2,619,144	74,195,720	4,199,261

-Continued

**City of Jackson, Michigan**  
**Statement of Fund Net Assets - Proprietary Funds (Concluded)**  
**June 30, 2005**

	Enterprise Funds - Business-type Activities					Totals	Governmental Activities
	Sewage	Water	Parking Deck	Nonmajor Funds	Internal Service		
<b>Liabilities :</b>							
<b>Current Liabilities :</b>							
Accounts payable	\$ 61,969	\$ 203,961	\$ 1,521	\$ 4,470	\$ 271,921	\$ 98,292	
Accrued payroll	36,911	60,916	95	4,267	102,189	28,571	
Accrued compensated absences	10,847	26,710	-	-	37,557	11,775	
Customer deposits	-	81,552	-	-	81,552	-	
Deferred revenue	-	-	125,000	-	125,000	-	
Current portion of long-term debt	175,000	195,000	-	50,000	420,000	-	
Total current liabilities	284,727	568,139	126,616	58,737	1,038,219	138,638	
<b>Non-Current Liabilities :</b>							
Long term advance from Ella W. Sharp Park Endowment Fund	-	-	-	140,000	140,000	-	
Estimated claims payable	-	-	-	-	-	512,007	
Revenue bonds payable	1,125,000	2,465,000	-	-	3,590,000	-	
Installment purchase contract payable	-	-	-	400,000	400,000	-	
Accrued compensated absences	97,404	163,121	-	-	260,525	86,501	
Total non-current liabilities	1,222,404	2,628,121	-	540,000	4,390,525	598,508	
Total liabilities	1,507,131	3,196,260	126,616	598,737	5,428,744	737,146	
<b>Net Assets :</b>							
Invested in capital assets, net of related debt	15,740,346	15,565,796	19,682,103	1,766,426	52,754,671	510,280	
Restricted for :							
Bond reserve	199,000	492,000	-	-	691,000	-	
Bond and interest redemption	267,900	488,109	-	-	756,009	-	
Unrestricted	7,991,878	5,938,118	381,319	253,981	14,565,296	2,951,835	
Total Net Assets	\$ 24,199,124	\$ 22,484,023	\$ 20,063,422	\$ 2,020,407	\$ 68,766,976	\$ 3,462,115	

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2005**

	Enterprise Funds - Business-type Activities				Governmental Activities
	Sewage	Water	Parking Deck	Nonmajor Funds	
<b>Operating Revenues:</b>					
Charges for sales and services	\$ 4,595,743	\$ 6,102,420	\$ 250,005	\$ 176,359	\$ 2,234,301
Administrative fees	-	172,743	-	-	-
Other	310,406	141,067	-	-	97,909
Total operating revenues	4,906,149	6,416,230	250,005	176,359	2,332,210
<b>Operating Expenses:</b>					
Personal services	1,312,431	2,047,058	25,657	90,521	1,107,661
Administration	-	-	-	-	170,181
Materials and supplies	272,320	883,570	-	6,754	294,094
Contractual and other services	1,759,690	1,282,250	98,060	131,365	255,978
Benefit payments	-	-	-	-	296,536
Equipment	-	-	-	-	936
Depreciation	1,131,534	698,682	262,943	64,896	143,285
Total operating expenses	4,475,975	4,911,560	386,660	293,536	2,268,691
Operating income (loss)	430,174	1,504,670	(136,655)	(117,177)	63,519
<b>Non-operating Revenues (Expenses):</b>					
Investment income	131,441	101,742	8,400	7,537	68,709
Interest and fiscal charges	(69,500)	(137,343)	-	(25,778)	-
Total non-operating revenues (expenses)	61,941	(35,601)	8,400	(18,241)	68,709
Income (loss) before transfers	492,115	1,469,069	(128,255)	(135,418)	132,228
<b>Transfers In:</b>					
Transfers In - General Fund	-	-	-	16,295	-
Transfers In - Special Assessment Capital Projects	-	-	-	58,525	-
Transfers In - Quiss Endowment	-	-	-	779	-
Transfers In - DDA Capital Projects	-	-	-	28,992	-
Total transfers in	-	-	-	104,591	-
Change in net assets	492,115	1,469,069	(128,255)	(30,827)	132,228
<b>Net Assets - Beginning of Year</b>	23,707,009	21,014,954	20,191,677	2,051,234	3,329,887
<b>Net Assets - End of Year</b>	\$ 24,199,124	\$ 22,484,023	\$ 20,063,422	\$ 2,020,407	\$ 3,462,115

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2005**

	Enterprise Funds - Business-type Activities					Governmental Activities
	Sewage	Water	Parking Deck	Nonmajor Funds	Totals	Internal Service
<b>Cash flows from operating activities</b>						
Payments to employees	\$ (1,307,570)	\$ (2,040,262)	(25,639)	\$ (88,731)	\$ (3,462,202)	\$ (1,048,899)
Payments to vendors and claimants	(2,001,512)	(2,096,257)	(98,434)	(138,084)	(4,334,287)	(938,473)
Receipts from customers and users	4,924,539	6,165,160	250,005	176,359	11,516,063	-
Receipts for interfund services provided	-	-	-	-	-	2,305,377
Net cash provided by (used in) operating activities	1,615,457	2,028,641	125,932	(50,456)	3,719,574	318,005
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital assets	(366,628)	(1,411,509)	-	-	(1,778,137)	(5,828)
Principal and interest paid on long-term debt	(218,961)	(557,343)	-	(75,778)	(852,082)	-
Principal and interest paid on advance	-	-	-	-	-	(88,077)
Net cash provided by (used in) capital and related financing activities	(585,589)	(1,968,852)	-	(75,778)	(2,630,219)	(93,905)
<b>Cash flows from non-capital financing activities</b>						
Transfers in	-	-	-	104,591	104,591	-
<b>Cash flows from investing activities</b>						
Interest received on investments	131,441	101,742	8,400	7,537	249,120	68,709
Net increase (decrease) in cash and cash equivalents	1,161,309	161,531	134,332	(14,106)	1,443,066	292,809
Cash and cash equivalents, beginning of year	6,501,036	5,391,841	373,603	416,202	12,682,682	12,439,518
Cash and cash equivalents, end of year	\$ 7,662,345	\$ 5,553,372	507,935	\$ 402,096	\$ 14,125,748	\$ 2,732,327
<b>Statement of Net Assets Classification of Cash</b>						
Cash and cash equivalents	\$ 7,195,445	\$ 4,573,263	507,935	\$ 402,096	\$ 12,678,739	\$ 2,732,327
Restricted cash and cash equivalents	466,900	980,109	-	-	1,447,009	-
	\$ 7,662,345	\$ 5,553,372	507,935	\$ 402,096	\$ 14,125,748	\$ 2,732,327
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Operating income (loss)	\$ 430,174	\$ 1,504,670	(136,655)	\$ (117,177)	\$ 1,681,012	\$ 63,519
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,131,534	698,682	262,943	64,896	2,158,055	143,285
(Increase) decrease in:						
Accounts receivable	18,390	(41,904)	-	-	(23,514)	(26,833)
Inventories	-	(40,996)	-	-	(40,996)	-
Increase (decrease) in:						
Accounts payable	30,498	(5,745)	(356)	1,491	25,888	60,125
Accrued payroll	(5,379)	(6,796)	-	334	(11,841)	(23,273)
Accrued compensated absences	10,240	13,116	-	-	23,356	11,165
Customer deposits	-	(92,386)	-	-	(92,386)	-
Estimated claims payable	-	-	-	-	-	90,017
Net cash provided by (used in) operating activities	\$ 1,615,457	\$ 2,028,641	125,932	\$ (50,456)	\$ 3,719,574	\$ 318,005

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Fiduciary Net Assets - Fiduciary Funds**  
**June 30, 2005**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets :</b>		
Cash and cash equivalents	\$ 2,450,235	\$ 2,004,150
Investments, at fair value		
Domestic mutual funds (fixed income)	13,501,240	-
U.S. Government obligations	3,294,530	-
Domestic corporate bonds	5,957,168	-
Domestic stocks	20,322,989	-
Domestic mutual funds (equities)	14,522,711	-
International stocks	2,456,402	-
International bonds	644,786	-
Receivables :		
Interest and dividends	101,476	-
Other	510,144	-
	63,761,681	\$ 2,004,150
Total assets	63,761,681	\$ 2,004,150
<b>Liabilities :</b>		
Accounts payable	-	\$ (1,242)
Refunds payable and other	236,226	-
Due to other governments	-	1,964,847
Other liabilities	-	40,545
	236,226	\$ 40,545
Total liabilities	236,226	\$ 40,545
<b>Net Assets :</b>		
Restricted for retirement systems	\$ 63,525,455	

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Changes in Plan Net Assets**  
**Pension Trust Funds**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions :	
Employer	\$ 3,480,980
Plan member	<u>937,308</u>
Total contributions	<u>4,418,288</u>
Investment income :	
Net appreciation in fair value of investments	2,286,364
Interest	1,055,815
Dividends	<u>249,084</u>
	3,591,263
Less investment expense	<u>233,386</u>
Net investment income	<u>3,357,877</u>
Total additions	<u>7,776,165</u>
<b>Deductions</b>	
Benefits	6,034,253
Refunds of contributions	118,790
Administrative expense	<u>131,188</u>
Total deductions	<u>6,284,231</u>
Net increase in net assets	1,491,934
<b>Net assets :</b>	
Beginning of year	<u>62,033,521</u>
End of year	<u>\$ 63,525,455</u>

The accompanying notes are an integral part of these financial statements.

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## **NOTES to the FINANCIAL STATEMENTS**

# City of Jackson, Michigan

## Notes to Financial Statements

### INDEX

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<u>NOTE</u>	<u>PAGE</u>
<b>1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
A. Reporting Entity.....	35
B. Basis of Presentation.....	36
C. Measurement Focus / Basis of Accounting .....	37
D. Assets, Liabilities and Equity .....	38
<b>2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</b>	
A. Budgetary Information.....	41
B. Excess of Expenditures Over Appropriations.....	42
<b>3. DETAILED NOTES ON ALL FUNDS</b>	
A. Deposits and Investments .....	42
B. Receivables .....	44
C. Capital Assets .....	45
D. Payables .....	47
E. Interfund Receivables, Payables and Transfers .....	48
F. Long-term Debt.....	49
G. Segment Information – Enterprise Funds .....	53
H. Endowments .....	53
<b>4. OTHER INFORMATION</b>	
A. Risk Management .....	53
B. Property Taxes .....	54
C. Contingent Liabilities .....	54
D. Postemployment Benefits .....	55
E. Defined Benefit Pension Plans .....	55

# City of Jackson, Michigan

## Notes To Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Jackson, Michigan have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### 1-A. Reporting Entity

The City of Jackson, Michigan (the "City") was incorporated in 1857 and is the seat of Jackson County. The City operates under a Council-Manager form of government and provides the following services: public safety, public works, community development, culture and recreation.

The City of Jackson has followed the guidelines of the Governmental Standards Board's Statement No. 14. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Each blended or discretely presented component unit has a June 30 year end.

Blended component units, although legally separate entities, are essentially part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column on the combined financial statements to emphasize it is legally separate from the government.

**Blended Component Unit** - All Board Members of the City of Jackson Building Authority are selected by the City Council and the annual budget is approved by the City Commission. Proceeds from a limited-tax full faith and credit general obligation bond issue are used to finance certain improvements and renovations in City Hall. The Authority's activity is presented in the capital projects and debt service funds.

#### **Discretely Presented Component Units:**

**City of Jackson Brownfield Redevelopment Authority** – The Brownfield Redevelopment Authority was established by the City to facilitate the revitalization of environmentally distressed areas utilizing tax increment financing. The majority of Board members are appointed by the Mayor and subject to City Council approval. The City has the ability to significantly influence operations and has accountability for financial matters. Separate financial statements are not prepared. The Authority uses governmental fund type accounting and is reported in a separate column. The Brownfield Redevelopment Authority is accounted for in a capital projects fund.

**City of Jackson Downtown Development Authority** - The Downtown Development Authority is responsible for directing improvements in a taxing district within the City. The Mayor appoints the members of the Authority's governing board, subject to City Council approval. The City has the ability to significantly influence operations and has accountability for financial matters. The Authority uses governmental fund type accounting and is reported in a separate column.

Complete financial statements of the Downtown Development Authority may be obtained as follows:

**City of Jackson Downtown Development Authority**  
**212 W. Michigan Ave.**  
**Jackson, Michigan 49201**

# City of Jackson, Michigan

## Notes To Financial Statements

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### 1-B. Basis of Presentation

*Government-wide Financial Statements.* The statements of net assets and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

*General fund.* This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Major street special revenue fund.* This fund is used to control the expenditure of motor fuel taxes which are earmarked by law for major street and highway purposes.

*Community development block grant special revenue fund.* This fund accounts for grants under the Housing and Community Development Act of 1974, as amended. The Act provides for a series of grants over a period of years to be used for various community development activities.

*Special assessment capital projects fund.* This fund is used to account for public improvement expenditures deemed to benefit only the properties against which the special assessments are levied.

*2003 City hall construction capital projects fund.* This fund is used to account for the receipt and expenditure of series 2003 and 2003B general obligation debt issued to finance to renovations and repairs to the City Hall building as approved by the voters in September 2003.

# City of Jackson, Michigan

## Notes To Financial Statements

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The City reports the following major enterprise funds:

*Sewage enterprise fund.* This fund accounts for the activities of the City's sewage disposal and sewage treatment systems.

*Water enterprise fund.* This fund accounts for the operations of the City's water distribution and water treatment systems.

*Parking deck enterprise fund.* This fund accounts for the operations of the City's East and West parking deck structures as well as surface parking constructed on Water Street.

Additionally, the City reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including trust or major capital projects.

*Debt service funds.* These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects funds.* These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

*Permanent funds.* These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

*Enterprise funds.* These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal service funds.* These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes workers' compensation self-insurance; data processing equipment; motor pool and garage, and public works administration and engineering.

*Pension trust funds.* These funds account for the activities of the City's three retirement funds, which accumulate resources for retirement benefit payments to qualified employees.

*Agency funds.* These funds account for assets held for other governments in an agency capacity.

### 1-C. Measurement Focus / Basis of Accounting

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

# City of Jackson, Michigan

## Notes To Financial Statements

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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 enterprise funds and 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.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and proprietary funds of the City follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### **1-D. Assets, Liabilities and Equity**

#### **Deposits and Investments**

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "pooled cash and investments". The cash resources of the Police and Fire Retirement System Trust Fund are invested separately.

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

# City of Jackson, Michigan

## Notes To Financial Statements

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State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust and permanent fund investments due to changes in fair value are recognized each year.

### **Receivables and Payables**

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

### **Inventories, Prepaid Items and Other Assets**

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# City of Jackson, Michigan

## Notes To Financial Statements

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Public domain infrastructure	16-50
Land improvements	50
Buildings and improvements	50
Park and recreation facilities	50
Machinery and equipment	5-15
Water and wastewater systems	10-50

### Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# City of Jackson, Michigan

## Notes To Financial Statements

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### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **2-A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end, except for those approved by the City Council for carry forward.

The City Council requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded.

An operating budget is adopted each fiscal year for the General and Special Revenue Funds on a basis consistent with generally accepted accounting principles (GAAP). Budgets are legally required for the General and Special Revenue Funds. Budgetary control is exercised at the activity level within the General Fund and the Community Development Block Grant Fund (Special Revenue) and on the fund level for all other funds. Accordingly, financial statement presentation is made on this basis. City Commission resolution is required to increase activity budget amounts within the General Fund and the Community Development Block Grant Fund (Special Revenue) and any supplemental appropriations that increase the total expenditures of any other fund. Management can make budget transfers between line items within an activity for the General Fund and the Community Development Block Grant Fund (Special Revenue) and between line items for the fund as a whole for other funds.

Council reported budgeted amounts are as originally adopted or are amended by department revision or resolution. Supplemental budgetary appropriations (immaterial) were made during the year.

#### ***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts and other firm commitments are used for the expenditure of monies is utilized as an extension of formal budgetary control in the governmental funds. Encumbered amounts lapse at year-end, however, material encumbrances generally are reappropriated as part of the following year's budget. These material encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures nor liabilities. No such commitments existed at June 30, 2005.

# City of Jackson, Michigan

## Notes To Financial Statements

### 2-B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund/Activity</u>	<u>Budget</u>	<u>Actual</u>
<b>General Fund:</b>		
City Hall and Grounds	\$ 410,167	\$ 419,385
Cemeteries	402,161	407,666
MCOLES Training	-	8,490
Training	188,350	192,972
Forestry	530,287	551,875
Parks and Facilities Maintenance	497,512	499,867
Planning	99,568	113,457
Transfers out	1,560,084	1,604,044

### 2-C. Fund Deficit

At June 30, 2005, the Special Assessment Capital Projects Fund had a fund deficit of \$827,227. This deficit will be eliminated as deferred special assessments become due.

## NOTE 3 – DETAILED NOTES ON ALL FUNDS

### 3-A. Deposits and Investments

*Summary of Deposit and Investment Balances.* Following is a reconciliation of deposit and investment balances as of June 30, 2005:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Assets:</b>			
Cash and cash equivalents	\$ 25,842,955	\$ 2,314,134	\$ 28,157,089
Investments	2,563,496	-	2,563,496
<b>Statement of Fiduciary Net Assets:</b>			
Cash and cash equivalents	2,004,150	-	2,004,150
Cash and cash equivalents – pension	2,450,235	-	2,450,235
Investments -pension	60,699,826	-	60,699,826
<b>Total</b>	<b><u>\$ 93,560,662</u></b>	<b><u>\$ 2,314,134</u></b>	<b><u>\$ 95,874,796</u></b>

# City of Jackson, Michigan

## Notes To Financial Statements

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### Deposits and Investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 19,453,196
Investments in securities and mutual funds – general	13,254,767
Investments in securities and mutual funds – pension trust funds	63,150,061
Cash on hand	<u>16,772</u>

**Total** **\$ 95,874,796**

*Custodial Credit Risk - Deposits.* For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2005, \$19,043,691 of the City's total bank balance of \$20,208,245 (total book balance was \$19,453,196) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk - Investments.* Following is a summary of the City's investments as of June 30, 2005:

U.S. treasuries	\$ 1,428,584
Domestic corporate bonds	86,841
Domestic equities	14,250
Money markets	<u>11,725,092</u>
<b>Total</b>	<u><b>\$ 13,254,767</b></u>

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2005, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

*Credit Risk.* The City held investments in U.S. treasuries and money market funds, which are not rated. All of the City's investments comply with its policy regarding the types of investments it may hold. For the domestic corporate bonds held at June 30, 2005, \$5,093 were rated A, \$76,957 were rated BB and \$4,791 were rated BBB by Standard & Poor's.

# City of Jackson, Michigan

## Notes To Financial Statements

*Concentration of Credit Risk.* The City's investment policy does not address this risk. At June 30, there were no concentrations in securities of any one issuer greater than 5% of investment fair market value.

*Interest Rate Risk.* As of June 30, 2005, maturities of the City's debt securities were as follows:

	<u>Fair Value</u>	<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Than 10</u>
U.S. treasuries	\$ 1,428,584	\$ -	\$ 1,428,584	\$ -	\$ -
Domestic corporate bonds	86,841	-	14,795	72,046	-
<b>Total debt securities</b>	<b><u>\$ 1,515,425</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,443,379</u></b>	<b><u>\$ 72,046</u></b>	<b><u>\$ -</u></b>

The City's investment policy does not address interest rate risk.

**Deposits and Investments – Pension Trust Fund**

The City maintains three pension trust funds (the "pension trust funds") (See note 4-E) where deposits and investments are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the pension trust funds' deposits and investments are presented separately.

**Deposits** - The System does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net assets are composed entirely of short-term investments in money market accounts.

**Investments** - The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trusts to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Retirement Boards have the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the pension trust funds' assets. All investment decisions are subject to Michigan law and the investment policy established by each respective Retirement Board.

# City of Jackson, Michigan

## Notes To Financial Statements

The pension trust funds' investments are held in a bank-administered trust fund. Following is a summary of the System's investments as of June 30, 2005:

Investments at fair value, as determined	
by quoted market price:	
U.S. treasuries	\$ 3,166,959
U.S. agencies	127,571
Domestic corporate securities:	
Index mutual fund	13,501,240
Corporate bonds	5,957,168
Domestic equities:	
Mutual fund	14,522,711
Corporate stocks	20,322,989
International bonds	644,786
International equities	<u>2,456,402</u>
<b>Total investments</b>	<b><u>\$ 60,699,826</u></b>

In addition to the above, the System has short-term investments of \$2,450,235 as of June 30, 2005 held entirely in money market funds.

*Credit Risk.* The pension trust funds' investment policy provides that its investments in fixed income securities should have an investment grade rating by two nationally recognized statistical rating organizations. As of June 30, 2005, the System's investments in securities of U.S. agencies were all rated AAA by Standard & Poor's. The System's investments in corporate securities (domestic and international) were rated by Standard & Poor's as follows:

AAA	\$ 93,324
AA	1,173,109
A	2,230,919
BBB	2,647,441
BB	<u>457,161</u>
	<b><u>\$ 6,601,954</u></b>

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The pension trust funds' investment policy requires that investment securities be held in trust by a third-party institution in the fund's name. As such, although uninsured and unregistered, the pension trust funds' investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the pension trust funds' name.

Short-term investments in money market funds are not subject to custodial credit risk.

# City of Jackson, Michigan

## Notes To Financial Statements

*Concentration of Credit Risk.* The pension trust funds' investment policies require that the securities of any one company or government agency should not exceed 5% of the total investment market value of each individual pension trust fund. At June 30, 2005, there were no concentrations in securities of any one issuer greater than 5% of investment fair market value.

*Interest Rate Risk.* As of June 30, 2005, maturities of the pension trust funds' debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. treasuries	\$ 3,166,959	\$ 430,054	\$ 795,004	\$ 650,410	\$ 1,291,491
U.S. agencies	127,571	-	-	-	127,571
Corporate domestic & international bonds	<u>6,601,954</u>	<u>40,390</u>	<u>927,485</u>	<u>1,110,605</u>	<u>4,532,474</u>
<b>Total debt securities</b>	<b><u>\$ 9,896,484</u></b>	<b><u>\$ 470,444</u></b>	<b><u>\$ 1,722,489</u></b>	<b><u>\$ 1,752,015</u></b>	<b><u>\$ 5,951,536</u></b>

The pension trust funds' investment policies do not address interest rate risk.

### 3-B. Receivables

Receivables in the governmental activities are 40 percent due from other governments, 9 percent accounts receivable, 23 percent income taxes, 11 percent special assessments, and 17 percent loans receivable. 80 percent of the special assessment receivables are not expected to be collected within one year. Business-type activities receivables are 100 percent due from customers. Loans receivable consists of \$1,269,125 in long-term loans due from local businesses related to economic development projects, of which \$1,188,375 in loans are not expected to be collected within one year.

Governmental funds report 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 and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Special assessments not yet due (debt service and capital projects funds)	\$ 848,322	\$ -	\$ 848,322
Grant/agreement drawdowns prior to meeting all eligibility requirements	-	1,185,201	1,185,201
Long term loans receivable	<u>1,269,125</u>	<u>-</u>	<u>1,269,125</u>
	<b><u>\$ 2,117,447</u></b>	<b><u>\$ 1,185,201</u></b>	<b><u>\$ 3,302,648</u></b>

# City of Jackson, Michigan

## Notes To Financial Statements

### 3-C. Capital Assets

Capital assets activity for the year ended June 30, 2005, was as follows:

#### Primary government

#### Governmental Activities:

	<b>Balance July 1 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30 2005</b>
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,440,383	\$ -	\$ -	\$ 2,440,383
Construction in progress	1,345,879	7,409,109	-	8,754,988
<b>Subtotal</b>	<b>3,786,262</b>	<b>7,409,109</b>	<b>-</b>	<b>11,195,371</b>
<b>Capital assets being depreciated:</b>				
Infrastructure	103,679,253	4,226,550	-	107,905,803
Land improvements	15,728,248	16,183	-	15,744,431
Buildings and improvements	6,709,988	-	-	6,709,988
Park and recreation facilities	7,821,956	101,804	-	7,923,760
Machinery and equipment	10,773,630	289,074	383,242	10,679,462
<b>Subtotal</b>	<b>144,713,075</b>	<b>4,633,611</b>	<b>383,242</b>	<b>148,963,444</b>
<b>Accumulated depreciation</b>				
Infrastructure	72,234,214	1,971,497	-	74,205,711
Land improvements	249,314	64,607	-	313,921
Buildings and improvements	3,281,918	101,864	-	3,383,782
Park and recreation facilities	4,093,314	99,117	-	4,192,431
Machinery and equipment	8,234,126	534,144	365,229	8,403,041
<b>Total accumulated depreciation</b>	<b>88,092,886</b>	<b>2,771,229</b>	<b>365,229</b>	<b>90,498,886</b>
<b>Total capital assets being depreciated - net</b>	<b>56,620,189</b>	<b>1,862,382</b>	<b>18,013</b>	<b>58,464,558</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 60,406,451</b>	<b>\$ 9,271,491</b>	<b>\$ 18,013</b>	<b>\$69,659,929</b>

# City of Jackson, Michigan

## Notes To Financial Statements

### Business-type activities

	Balance July 1 2004	Additions	Deductions	Balance June 30 2005
<b>Capital assets not being depreciated:</b>				
Land	\$ 8,956,886	\$ -	\$ -	\$ 8,956,886
Construction in progress	243,740	-	243,740	-
<b>Subtotal</b>	<u>9,200,626</u>	<u>-</u>	<u>243,740</u>	<u>8,956,886</u>
<b>Capital assets being depreciated:</b>				
Systems	59,047,885	2,006,958	-	61,054,843
Land improvements	2,437,627	-	-	2,437,627
Buildings and improvements	12,741,667	-	-	12,741,667
Machinery and equipment	10,135,045	14,922	-	10,149,967
<b>Subtotal</b>	<u>84,362,224</u>	<u>2,021,880</u>	<u>-</u>	<u>86,384,104</u>
<b>Accumulated depreciation</b>				
Systems	27,828,412	1,492,332	-	29,320,744
Land improvements	418,358	82,021	-	500,379
Buildings and improvements	964,067	269,359	-	1,233,426
Machinery and equipment	6,807,427	314,343	-	7,121,770
<b>Total accumulated depreciation</b>	<u>36,018,264</u>	<u>2,158,055</u>	<u>-</u>	<u>38,176,319</u>
<b>Total capital assets being depreciated - net</b>	<u>48,343,960</u>	<u>(136,175)</u>	<u>-</u>	<u>48,207,785</u>
<b>Business-type activities capital assets - net</b>	<u>\$ 57,544,586</u>	<u>\$ (136,175)</u>	<u>\$ 243,740</u>	<u>\$ 57,164,671</u>

# City of Jackson, Michigan

## Notes To Financial Statements

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Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 55,293
Public safety	270,653
Public works, including depreciation of general infrastructure assets	2,057,919
Culture and recreation	209,145
Community enrichment and development	34,934
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>143,285</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 2,771,229</u></b>
<b>Business-type activities:</b>	
Golf practice center	\$ 17,836
Automobile parking system	47,060
Parking deck	262,943
Sewage	1,131,534
Water	<u>698,682</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 2,158,055</u></b>

### 3-D. Payables

Payables in the governmental activities are 64 percent vendors, 13 percent claims, 14 percent accrued payroll, 7 percent interest, and 2 percent other. Business-type activities payables are 60 percent vendors, 18 percent deposits and 22 percent accrued payroll.

# City of Jackson, Michigan

## Notes To Financial Statements

### 3-E. Interfund Receivables, Payables and Transfers

At June 30, 2005, interfund receivables and payables were as follows:

Receivable Fund	Payable Fund								Total
	General Fund	1996 Special Assessment Bond Debt	2001 DDA TIF Debt Service	Cemetery Perpetual Maintenance	Cuiss Endowment	CDBG HOME Grant	Community Development Block Grant	Special Assessment Capital Projects	
General Fund	\$ -	\$ 6,724	\$ -	\$ 55,476	\$ -	\$ -	\$ -	\$ -	\$ 62,200
Downtown Development Authority Project	-	-	18,901	-	-	-	-	-	18,901
Ella W. Sharp Park Golf Practice Center	-	-	-	-	622	-	-	-	622
Community Development Block Grant	39,522	-	-	-	-	383	-	21,761	61,666
Capital Projects	-	-	-	-	-	-	1,659	-	1,659
Ella W. Sharp Endowment	-	-	-	-	225	-	-	-	225
City Hall Debt Service	16,711	-	-	-	-	-	-	-	16,711
	<b>\$ 56,233</b>	<b>\$ 6,724</b>	<b>\$ 18,901</b>	<b>\$ 55,476</b>	<b>\$ 847</b>	<b>\$ 383</b>	<b>\$ 1,659</b>	<b>\$ 21,761</b>	<b>\$ 161,984</b>

At June 30, 2005, interfund advances were as follows:

Receivable Fund	Payable Fund			Total
	Community Development Block Grant	Ella W. Sharp Park Golf Practice Center	Special Assessment Capital Projects	
General Fund	\$ 100,000	\$ -	\$ -	\$ 100,000
Ella W. Sharp Park Endowment	-	140,000	-	140,000
Workers' Compensation	-	-	805,466	805,466
	<b>\$ 100,000</b>	<b>\$ 140,000</b>	<b>\$ 805,466</b>	<b>\$ 1,045,466</b>

The City has interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The advance from the Ella Sharp Endowment Fund was executed in order to assist the cash position (cash flow) of the enterprise golf practice center activities. Also, an advance from the Worker's Compensation Internal Service Fund was used to provide cash for special assessment capital projects activities.

# City of Jackson, Michigan

## Notes To Financial Statements

For the year then ended, interfund transfers consisted of the following:

Transfer Out Fund	Transfer In Fund				
	General Fund	Major Street	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
General Fund	\$ -	\$ -	\$ 1,587,799	\$ 16,295	\$ 1,604,094
Major Street	-	-	416,418	-	416,418
Community Development					
Block Grant	57,673	180,069	129,083	-	366,825
Special Assessment					
Capital Projects	-	259,417	15,834	58,525	333,776
Nonmajor Governmental Funds	149,296	948,036	655,781	29,771	1,782,884
	<b>\$ 206,969</b>	<b>\$ 1,387,522</b>	<b>\$ 2,804,915</b>	<b>\$ 104,591</b>	<b>\$ 4,503,997</b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### 3-F. Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Fiscal Year Due	Interest Rates	Amount
<b>Governmental activities</b>			
1998 building authority limited tax	2013	4.5%	\$ 515,000
1999 building authority limited tax	2019	5.25%	500,000
1998 Michigan Transportation Fund	2008	4.5%	355,000
2001 Downtown Development	2026	3.70% - 5.75%	17,528,577
2002 Brownfield Redevelopment	2030	4.00% - 5.38%	18,500,000
2003 General obligation unlimited tax	2027	2.00% - 5.25%	8,240,000
2003 (series b) General obligation unlimited tax	2027	3.00% - 4.70%	1,750,000
2003 Michigan Transportation Fund	2013	2.00% - 3.20%	1,640,000
			<b>\$ 49,028,577</b>

# City of Jackson, Michigan

## Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2006	\$ 765,000	\$ 1,953,673
2007	915,000	1,926,085
2008	1,080,000	1,891,439
2009	1,260,000	1,850,724
2010	1,440,000	1,797,867
2011-2015	9,735,000	7,790,064
2016-2020	10,676,718	12,019,773
2021-2025	13,335,524	13,551,192
2026-2030	9,821,335	3,628,633
	<b>\$ 49,028,577</b>	<b>\$ 46,409,449</b>

*Revenue bonds.* The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at year-end are as follows:

Purpose	Fiscal Year Due	Interest Rates	Amount
<b>Business-type activities</b>			
1996 sewer system	2008	4.40% - 5.70%	\$ 425,000
1999 water refunding	2016	3.50% - 4.60%	2,660,000
2000 sewage system	2015	4.75% - 5.35%	875,000
			<b>\$ 3,960,000</b>

Revenue bond debt service requirements to maturity are as follows:

Year	Business-type Activities	
	Principal	Interest
2006	\$ 370,000	\$ 180,418
2007	400,000	163,373
2008	435,000	144,561
2009	295,000	128,248
2010	305,000	115,076
2011-2015	1,755,000	345,995
2016	400,000	16,625
	<b>\$ 3,960,000</b>	<b>\$ 1,094,293</b>

# City of Jackson, Michigan

## Notes To Financial Statements

*Other Obligations.* The government has entered into various long-term loan and installment payment agreements. Installment obligations outstanding at year-end are as follows:

<u>Purpose</u>	<u>Fiscal Year</u> <u>Due</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>			
Michigan Urbanland Assembly Loan – economic development	2011	0.00%	\$ 772,000
Section 108 loan – economic development	2021	3.66% -6.62%	1,025,000
2004 Building and parking installment purchase contract	2009	3.75%	305,000
Municipal service contract – Nixon Park recreational improvements	2011	5.25%	<u>130,000</u>
			<b><u>\$ 2,232,000</u></b>
<b>Business activities</b>			
1997 installment purchase contract – purchase of parking lots	2011	4.69%	<b><u>\$ 450,000</u></b>

Annual debt service requirements to maturity for installment obligations are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 299,000	\$ 69,205	\$ 50,000	\$ 19,933
2007	304,000	64,508	50,000	17,588
2008	309,000	58,429	75,000	14,656
2009	314,000	52,574	75,000	11,139
2010	229,000	45,738	100,000	7,035
2011-2015	402,000	170,445	100,000	2,345
2016-2020	325,000	78,219	-	-
2021	50,000	3,310	-	-
	<b><u>\$ 2,232,000</u></b>	<b><u>\$ 542,428</u></b>	<b><u>\$ 450,000</u></b>	<b><u>\$ 72,696</u></b>

# City of Jackson, Michigan

## Notes To Financial Statements

*Advance refundings.* In prior years, the City defeased certain bonds by placing the proceeds of a new bond issue in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2005, the following amounts of bonds outstanding are considered defeased:

Primary government \$ 275,000

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2005, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General obligation bonds	\$ 49,688,577	\$ -	\$ 660,000	\$ 49,028,577	\$ 765,000
Special assessment bonds	85,000	-	85,000	-	-
Installment contracts	520,000	-	85,000	435,000	90,000
Loans payable	2,006,000	-	209,000	1,797,000	209,000
Compensated absences	1,940,695	134,744	-	2,075,439	245,463
	<u>\$ 54,240,272</u>	<u>\$ 134,744</u>	<u>\$ 1,039,000</u>	<u>\$ 53,336,016</u>	<u>\$ 1,309,463</u>
<b>Business-type activities</b>					
Installment contracts	\$ 500,000	\$ -	\$ 50,000	\$ 450,000	\$ 50,000
Revenue bonds	4,530,000	-	570,000	3,960,000	370,000
Compensated absences	274,726	23,356	-	298,082	37,557
	<u>\$ 5,304,726</u>	<u>\$ 23,356</u>	<u>\$ 620,000</u>	<u>\$ 4,708,082</u>	<u>\$ 457,557</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

### 3-G. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and sewage systems. Because the Water and Sewage Funds, which are individual funds that account entirely for the government's water and sewer activities, are segments they are reported as major funds in the fund financial statements, segment disclosures herein are not required.

### 3-H. Endowments

*Ella W. Sharp Park Endowment Permanent Trust Fund.* For the year ended June 30, 2005, the net depreciation on investments of donor-restricted endowments was \$7,058. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Ella Sharp Park. At year-end, there was no accumulated available net appreciation; the nonexpendable endowment balance is \$1,107,122.

# City of Jackson, Michigan

## Notes To Financial Statements

**Cuiss Endowment Permanent Trust Fund.** For the year ended June 30, 2005, the net depreciation of this donor restricted endowment was \$1,087. The non-expendable endowment balance is \$25,000.

**Cemetery Perpetual Maintenance Permanent Trust Fund.** For the year ended June 30, 2005, the net depreciation on investments of donor-restricted endowments was \$30,672. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Cemetery System. At year-end, accumulated available net appreciation of \$8,698 is reported in unrestricted net assets; the nonexpendable endowment balance is \$1,559,976.

### NOTE 4 – OTHER INFORMATION

#### 4-A. Risk Management

During the normal course of its operations, the City is exposed to various risks of loss related to liability, employee injury and other circumstances. In all instances other than workers compensation, the City has retained coverages through commercial insurance carriers. The City has opted to protect itself from risks through means other than the purchase of traditional insurance coverage explained as follows:

In 1979, the City established a self-insurance program for workers' compensation, which is accounted for in the Workers' Compensation Fund (an internal service fund). This program is administered by a service agency, which furnishes safety inspection, claims review, and claims processing. A specific excess workers' compensation reinsurance policy indemnifies the City on a statutory basis in excess of the first \$1,000,000 per occurrence. All applicable funds are charged premiums based on payroll and workers' compensation classification. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The claims liability of \$512,007 reported in the Workers' Compensation Fund at June 30, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claim liability is estimated by management based upon historical experience. No annuity contracts have been purchased for claims liabilities.

The change in the Workers' Compensation Fund liability amount for the years ended June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Claims liability at beginning of fiscal year	\$ 421,990	\$ 460,010
Claims and changes in estimates	228,348	195,600
Claims payments	(138,331)	(233,620)
<b>Claims liability at June 30</b>	<b><u>\$ 512,007</u></b>	<b><u>\$ 421,990</u></b>

There were no significant reductions in insurance coverage from the prior year, and no insurance settlements have exceeded coverage for each of the past three fiscal years.

# City of Jackson, Michigan

## Notes To Financial Statements

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### 4-B. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31 each year. The City property tax is levied the following July 1 based on the taxable value of the property, as assessed by the County, as of the preceding December 31. Real and personal property in the City for the July 1, 2004 levy was assessed and valued at approximately \$588 million, representing approximately 50% of estimated current market value.

The City's operating tax rate is 6.72 mills (cannot exceed 7.00 mills) with an additional 1.92 (cannot exceed 2.00 mills) for public improvement, 4.50 for Act 345 Pension and 2.00 for the Downtown Development Authority, a component unit of the City.

Taxes are payable to the City in five equal installments on the twentieth of the month commencing in July and ending in November. They are deemed delinquent immediately after the due date.

### 4-C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Michigan Department of Natural Resources has served the City, Jackson County and State of Michigan Department of Corrections with a notice to abate pollution found at a landfill site owned by the City until 1984. The landfill was turned over to Jackson County in 1984, and the City has some protection from an agreement precluding any liability as a result of pollution found at the site. Should the agreement with the County collapse, the City could be held liable for a portion of the cleanup costs, which could be significant. The City believes it has meritorious grounds to defend any adverse claim and no provision for loss has been made in the accompanying financial statements.

Several taxpayers with significant property within the City of Jackson have real and personal property tax appeals filed with the Michigan Tax Tribunal. There is approximately \$888,000 of the City's taxes at risk. For the personal property taxes, once the State manual is complete and its depreciation schedules are approved by the Tribunal, there will likely be a valuation and tax reduction for the City. The amount of this reduction in tax is currently unknown. Also, the extent of potential real property tax reductions is unknown at this time.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

# City of Jackson, Michigan

## Notes To Financial Statements

### 4-D. Postemployment Benefits

Per personnel policy for non-union members and various labor agreements for union members, the City provides health insurance benefits to approximately 140 retirees who have not reached age 65. Such benefits are funded as incurred and approximated \$561,000 for governmental activities and \$35,000 for proprietary activities for the year ended June 30, 2005.

### 4-E. Defined Benefit Pension Plans

The City administers three single-employer defined benefit pension plans which provide retirement, death, and disability benefits covering substantially all City employees, subject to certain eligibility requirements. The obligation to contribute to these three plans and benefit provisions are authorized and amended by City ordinance. Membership of each plan consisted of the following at June 30, 2004, the date of the latest actuarial valuation:

	<b>Employees' Retirement System</b>	<b>Policemen's and Firemen's Pension Fund</b>	<b>Policemen's and Firemen's Pension Act 345 Fund</b>
Retirees and beneficiaries receiving benefits	140	54	136
Terminated plan members entitled to, but not yet receiving benefits	11	-	2
Active plan members	226	-	110
<b>TOTAL</b>	<b>377</b>	<b>54</b>	<b>248</b>

# City of Jackson, Michigan

## Notes To Financial Statements

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### Employees' Retirement System

The Employees' Retirement System Pension Plan is a contributory defined benefit plan that covers substantially all City employees not covered under one of the City's Policemen's and Firemen's Pension Plans and provides for retirement, death, and disability benefits. Members contribute 2.5% of annual compensation or one-half of the actuarially computed contribution if it is greater than 5.0%. The City contributes 2.5% of total compensation as a minimum, plus additional amounts as are necessary to provide assets sufficient for the Early Retirement Window Period. Pursuant to Ordinance Amendments, members contribute 3.5%, with the City contributing the 4.93%. Accumulated member contributions are annually credited with interest at 7%. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the current year was determined as part of a June 30, 2003 actuarial valuation using the Entry Age Method. The actuarial assumptions included a 8% rate of return on investments, projected salary increases of 4.25% - 8.05% including inflation at 4.25%, and no cost of living adjustments.

### Policemen's and Firemen's Pension

The Policemen's and Firemen's Pension Plan is a contributory defined benefit plan that covers certain uniformed policemen and firemen hired prior to July 1, 1974, and provides for retirement, death, and disability benefits. There are no remaining active plan members. The City contributes such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to plan members. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the current year was determined as part of a June 30, 2003 actuarial valuation using the Attained Age Method. The actuarial assumptions included a 7.5% rate of return on investments, and a 3.0% cost of living adjustment.

### Policemen's and Firemen's Pension - Act 345

The Policemen's and Firemen's Pension Plan-Act 345 is a contributory defined benefit plan that covers uniformed policemen and firemen hired subsequent to July 1, 1974, and certain policemen and firemen hired prior to that date who have elected, under the provisions of the plan, to transfer from the City's Policemen's and Firemen's Pension Plan, and provides for retirement, death, and disability benefits. Members contribute 8.06% of annual compensation with the City contributing such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to plan members. Accumulated member contributions are annually credited with interest at 7%. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the year was determined as part of a June 30, 2003 actuarial valuation using the Entry Age Method. The actuarial assumptions included a 7.5% rate of return on investments, projected salary increases of 4.5% - 7.5% including inflation at 4.5%, and no cost of living adjustments.

# City of Jackson, Michigan

## Notes To Financial Statements

Other information for these plans is as follows:

	<b>Employees' Retirement System</b>	<b>Policemen's And Firemen's Pension</b>	<b>Policemen's and Firemen's Pension - Act 345</b>
Asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market
Amortization method	Level percent	Level percent	Level percent
Remaining amortization	3-30 years	6 years	12 years
Open or closed	Closed	Closed	Closed

### THREE-YEAR TREND INFORMATION

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Annual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b><u>Employees' Retirement System</u></b>				
6/30/03	\$ 378,931	\$ 378,931	100%	\$ -0-
6/30/04	398,583	398,583	100	-0-
6/30/05	486,147	486,147	100	-0-
<b><u>Policemen's and Firemen's Pension</u></b>				
6/30/03	\$ 86,992	\$ 86,992	100%	\$ -0-
6/30/04	301,041	301,041	100	-0-
6/30/05	528,199	528,199	100	-0-
<b><u>Policemen's and Firemen's Pension – Act 345</u></b>				
6/30/03	\$1,895,548	\$1,895,548	100%	\$ -0-
6/30/04	2,192,507	2,192,507	100	-0-
6/30/05	2,466,634	2,466,634	100	-0-

# City of Jackson, Michigan

## Notes To Financial Statements

Stand alone financial reports have not been issued for the plans. GASB Statement 25 Required Supplementary Information is presented after the footnotes section. A summary of the financial results for the three Plans is as follows:

### Statement of Plan Net Assets

	June 30, 2005			Total
	Employees' Retirement System	Policemen's and Firemen's Pension	Policemen's and Firemen's Pension - Act 345	
<b>Assets:</b>				
Cash and cash equivalents	\$ 215,310	\$ 198,659	\$ 2,036,266	\$ 2,450,235
Receivables:				
Interest and dividends	718	13,422	87,336	101,476
Other	486,144	15,140	8,860	510,144
	486,862	28,562	96,196	611,620
Investments, at fair value				
Domestic mutual funds (fixed income)	13,501,240	-	-	13,501,240
U.S. Government obligations	-	358,393	2,936,137	3,294,530
Domestic corporate bonds	-	1,126,686	4,830,482	5,957,168
International bonds	-	115,765	529,021	644,786
Domestic stocks	-	3,195,646	17,127,343	20,322,989
Domestic mutual funds (equities)	14,522,711	-	-	14,522,711
International stocks	1,709,642	594,077	152,683	2,456,402
	29,733,593	5,390,567	25,575,666	60,699,826
	30,435,765	5,617,788	27,708,128	63,761,681
<b>Liabilities</b>				
Refunds payable and other	-	-	236,226	236,226
	-	-	236,226	236,226
<b>Net assets held in trust for pension benefits</b>	<b>\$ 30,435,765</b>	<b>\$ 5,617,788</b>	<b>\$ 27,471,902</b>	<b>\$ 63,525,455</b>

# City of Jackson, Michigan

## Notes To Financial Statements

### Statement of Changes in Plan Net Assets:

	Year Ended June 30, 2005			Totals
	Employees' Retirement System	Policemen's and Firemen's Pension	Policemen's and Firemen's Pension - Act 345	
<b>Additions</b>				
Contributions :				
Employer	\$ 486,147	\$ 528,199	\$ 2,466,634	\$ 3,480,980
Plan member	364,860	-	572,448	937,308
Total contributions	851,007	528,199	3,039,082	4,418,288
Investment income (loss) :				
Net appreciation in fair value of investments	1,529,357	109,185	647,822	2,286,364
Interest	669,696	68,696	317,423	1,055,815
Dividends	2,099	43,915	203,070	249,084
	2,201,152	221,796	1,168,315	3,591,263
Less investment expense	23,023	6,467	203,896	233,386
Net investment income	2,178,129	215,329	964,419	3,357,877
Total additions	3,029,136	743,528	4,003,501	7,776,165
<b>Deductions</b>				
Benefits	1,780,807	1,288,114	2,965,332	6,034,253
Refunds of contributions	29,876	-	88,914	118,790
Administrative expense	54,328	49,279	27,581	131,188
Total deductions	1,865,011	1,337,393	3,081,827	6,284,231
<b>Net increase (decrease)</b>	1,164,125	(593,865)	921,674	1,491,934
<b>Net assets held in trust for pension benefits</b>				
<b>Beginning of year</b>	29,271,640	6,211,653	26,550,228	62,033,521
<b>End of year</b>	\$ 30,435,765	\$ 5,617,788	\$ 27,471,902	\$ 63,525,455

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**GASB Required  
Supplementary Information**

# City of Jackson, Michigan

## GASB Statement 25 Required Supplementary Information

### Schedule of Funding Progress

Actuarial Valuation Date June 30	(In Thousands)			Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)			
<b><u>Employees' Retirement System</u></b>						
1996	\$ 22,960	\$ 22,446	\$ (514)	102.3	% \$ 7,021,952	(7.3) %
1997	24,810	24,459	(351)	101.4	7,340,045	(4.8)
1998	27,965	22,927	(5,038)	122.0	7,339,189	(68.6)
1999	31,654	24,367	(7,287)	129.9	7,784,073	(93.6)
2000	34,960	25,787	(9,173)	135.6	8,338,326	(110.0)
2001	36,120	27,705	(8,415)	130.4	8,532,237	(98.6)
2002	35,151	29,372	(5,779)	119.7	9,256,930	(62.4)
2003	33,229	29,902	(3,327)	111.1	9,691,157	(34.3)
2004	32,919	31,417	(1,502)	104.8	9,599,830	(15.6)
<b><u>Policemen's and Firemen's Pension</u></b>						
1996	7,655	16,167	8,512	47.3	44,875	18,970.0
1997	7,891	16,176	8,285	48.8	50,098	16,537.7
1998	8,997	13,879	4,882	64.8	49,813	9,799.6
1999	9,845	13,537	3,692	72.7	51,016	7,237.6
2000	11,518	11,747	229	98.1	N/A	N/A
2001	10,845	11,428	583	94.9	N/A	N/A
2002	9,354	11,267	1,913	83.0	N/A	N/A
2003	7,745	10,901	3,156	71.1	N/A	N/A
2004	6,418	10,753	4,335	59.7	N/A	N/A
<b><u>Policemen's and Firemen's Pension - Act 345</u></b>						
1996	15,137	38,080	22,943	39.8	5,380,560	426.4
1997	17,657	39,109	21,452	45.1	5,498,077	390.2
1998	21,277	39,553	18,276	53.8	5,697,163	320.8
1999	24,372	40,911	16,539	59.6	5,597,521	295.5
2000	27,748	42,660	14,912	65.0	5,772,726	258.3
2001	29,555	44,126	14,571	67.0	5,942,253	245.2
2002	28,906	45,681	16,775	63.3	6,071,301	276.3
2003	27,837	47,131	19,294	59.1	6,213,210	310.5
2004	27,219	49,060	21,841	55.5	6,138,055	355.8

# City of Jackson, Michigan

## GASB Statement 25 Required Supplementary Information

### Schedule of Employer Contributions

<u>Fiscal Year Ended June 30</u>	<u>Contribution Rates as Percents of Valuation Payroll</u>	<u>Annual Required Computed Dollar Contribution Based on Projected Payroll</u>	<u>Actual Annual Contributions</u>	<u>Percent Contribution</u>
<b><u>Employees' Retirement System</u></b>				
1997	3.8 %	\$ 270,136	\$ 270,731	100 %
1998	3.7	275,762	299,660	109
1999	4.6	363,951	363,951	100
2000	3.9	320,315	320,315	100
2001	3.9	335,840	335,840	100
2002	3.9	354,918	354,918	100
2003	3.9	378,931	378,931	100
2004	3.9	398,583	398,583	100
2005	4.9	486,147	486,147	100
<b><u>Policemen's and Firemen's Pension</u></b>				
1997	N/A	558,348	558,348	100
1998	N/A	534,469	534,469	100
1999	N/A	542,989	542,989	100
2000	N/A	372,183	372,183	100
2001	N/A	293,241	293,241	100
2002	N/A	-	-	N/A
2003	N/A	86,992	86,992	100
2004	N/A	301,041	301,041	100
2005	N/A	528,199	528,199	100
<b><u>Policemen's and Firemen's Pension - Act 345</u></b>				
1997	40.4	2,224,513	2,224,513	100
1998	39.5	2,284,381	2,284,381	100
1999	38.4	2,270,386	2,270,386	100
2000	33.6	2,051,490	2,051,490	100
2001	30.9	1,970,575	1,970,575	100
2002	30.9	1,882,139	1,882,139	100
2003	29.9	1,895,548	1,895,548	100
2004	33.8	2,192,507	2,192,507	100
2005	37.2	2,466,634	2,466,634	100

# City of Jackson, Michigan

## GASB Statement 25 Required Supplementary Information

### Additional Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Employees' Retirement System</u>	<u>Policemen's and Firemen's Pension</u>	<u>Policemen's and Firemen's Pension Act 345</u>
Valuation date	June 30, 2004	June 30, 2004	June 30, 2004
Actuarial Cost Method	Entry Age	Not applicable - Inactive	Entry Age
Amortization Method	Level percent	Level percent	Level percent
Remaining amortization period (All closed periods)	10 years full funding credit 30 years unfunded liability 3 years early retirement window	6 years	12 years
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market
Actuarial assumption:			
Investment rate of return	8.00%	7.50%	7.50%
Projected salary increases	4.25% - 8.05%	N/A	4.5% - 7.5%
Includes inflation at	4.25%	N/A	4.50%
Cost-of-living adjustments	None	3.00%	None

**Combining and Individual Fund  
Financial Statements and Schedules**

**City of Jackson, Michigan**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2005**

	Special Revenue	Debt Service	Capital Projects	Permanent Funds	Totals
<b>Assets :</b>					
Cash and cash equivalents	\$ 2,789,610	\$ 39,900	\$ 1,656,571	\$ 37,602	\$ 4,523,683
Investments, at fair value	-	-	-	2,563,496	2,563,496
Receivables (net of allowances for uncollectibles) :					
Accounts	63,079	-	-	-	63,079
Special assessments	-	19,157	-	-	19,157
Other	-	-	-	15,796	15,796
Due from other governmental units	111,569	-	-	-	111,569
Due from other funds	-	16,711	20,560	225	37,496
Inventories	11,358	-	-	-	11,358
Long-term advance to other funds	-	-	-	140,000	140,000
<b>Total assets</b>	<b>\$ 2,975,616</b>	<b>\$ 75,768</b>	<b>\$ 1,677,131</b>	<b>\$ 2,757,119</b>	<b>\$ 7,485,634</b>
<b>Liabilities and Fund Balances :</b>					
<b>Liabilities :</b>					
Accounts payable	\$ 59,054	\$ -	\$ 56,147	\$ -	\$ 115,201
Accrued payroll	40,534	-	-	-	40,534
Other liabilities	-	-	11,422	-	11,422
Due to other funds	383	25,625	-	56,323	82,331
Deferred revenue	93,656	19,157	-	-	112,813
<b>Total liabilities</b>	<b>193,627</b>	<b>44,782</b>	<b>67,569</b>	<b>56,323</b>	<b>362,301</b>
<b>Fund balances :</b>					
Reserved for inventory	11,358	-	-	-	11,358
Reserved for perpetual care and endowment	-	-	-	2,692,098	2,692,098
Unreserved :					
Designated	256,965	-	-	-	256,965
Undesignated	2,513,666	30,986	1,609,562	8,698	4,162,912
<b>Total fund balances</b>	<b>2,781,989</b>	<b>30,986</b>	<b>1,609,562</b>	<b>2,700,796</b>	<b>7,123,333</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,975,616</b>	<b>\$ 75,768</b>	<b>\$ 1,677,131</b>	<b>\$ 2,757,119</b>	<b>\$ 7,485,634</b>

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2005**

	Special Revenue	Debt Service	Capital Projects	Permanent Funds	Totals
<b>Revenues :</b>					
Property taxes	\$ 1,071,838	\$ 541,489	\$ 869,006	\$ -	\$ 2,482,333
Intergovernmental :					
Federal grants	474,699	-	-	-	474,699
State shared revenues and grants	609,745	-	-	-	609,745
Charges for services	1,229,446	229,584	-	34,945	1,493,975
Special assessments	-	7,929	-	-	7,929
Investment income	47,003	18,194	30,994	73,534	169,725
Miscellaneous	95,948	-	11,000	-	106,948
Total revenues	<u>3,528,679</u>	<u>797,196</u>	<u>911,000</u>	<u>108,479</u>	<u>5,345,354</u>
<b>Expenditures :</b>					
Current:					
Public safety	800,474	-	-	-	800,474
Public works	813,029	-	1	-	813,030
Culture and recreation	924,167	-	-	-	924,167
Community enrichment and development	686,721	-	-	8,098	694,819
Capital outlay :					
Community enrichment and development	51,011	-	634,238	-	685,249
Debt service:					
Principal retirement	85,000	954,000	-	-	1,039,000
Interest and fiscal charges	7,876	2,235,958	-	-	2,243,834
Total expenditures	<u>3,368,278</u>	<u>3,189,958</u>	<u>634,239</u>	<u>8,098</u>	<u>7,200,573</u>
Excess of revenues over (under) expenditures	160,401	(2,392,762)	276,761	100,381	(1,855,219)
<b>Other Financing Sources (Uses) :</b>					
Proceeds from sale of capital assets	54,270	-	-	-	54,270
Transfers in	1,861,117	949,326	(5,528)	-	2,804,915
Transfers (out)	(1,078,022)	-	(612,099)	(92,763)	(1,782,884)
Total other financing sources (uses)	<u>837,365</u>	<u>949,326</u>	<u>(617,627)</u>	<u>(92,763)</u>	<u>1,076,301</u>
Net change in fund balances	997,766	(1,443,436)	(340,866)	7,618	(778,918)
<b>Fund Balances - Beginning of Year</b>	<u>1,784,223</u>	<u>1,474,422</u>	<u>1,950,428</u>	<u>2,693,178</u>	<u>7,902,251</u>
<b>Fund Balances - End of Year</b>	<u>\$ 2,781,989</u>	<u>\$ 30,986</u>	<u>\$ 1,609,562</u>	<u>\$ 2,700,796</u>	<u>\$ 7,123,333</u>

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# Nonmajor Special Revenue Funds

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**Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.**

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**Local Street Fund** - This fund is used to control the expenditure of motor fuel taxes which are earmarked by law and the State Constitution for local street and highway purposes.

**Ella W. Sharp Park Operating Fund** - This fund is used to record the revenues and expenditures related to operating the Ella W. Sharp Golf Course and Ella W. Sharp Park.

**Sale of Land Fund** - This fund is used to record the proceeds from the sale of cemetery lots and other land of the City.

**Land Acquisition Fund** - This fund is used to account for acquisitions of property within the City.

**Housing Initiative Fund** - This fund is used to record the acquisition of tax reverted properties and other land within the City

**Public Improvement Fund** - This fund was established to account for tax revenue set aside for municipal public improvements.

**Building Department Fund** - This fund depicts the revenues and expenditures for the Inspection Department Activity in accordance with the State Construction Code Act of 1999.

**Budget Stabilization Fund** - As provided for in Act 30 of the Public Acts of 1978, monies in this fund can generally be used for General Fund deficit reduction, to prevent a reduction in the level of public services or to cover expenses relating to a natural disaster.

**Drug Law Enforcement Fund** - This fund is used to account for the proceeds from the sale of seized property which has been used in association with controlled substances.

**Local Law Enforcement Block Grant** - This fund is used to account for grant monies which are earmarked for projects to reduce crime and improve public safety.

**LAWNET Grant Fund** - This fund is used to account for activity relating to LAWNET Project Grants entered into with the City of Ypsilanti through the Office of Criminal Justice for the purpose of expanding the drug effort and impacting drug trafficking in the Jackson-Washtenaw-Livingston County Region.

**Recreation Activity Fund** - This fund is used to account for the expenditure of certain revenues generated from recreation fee programs.

**Community Development Home Grant Fund** - This fund is used to account for Federal Grants created by the National Affordable Housing Act of 1990.

**Employee Health Care** - This fund is used to account for the accumulation of resources to pay for future retiree health care costs.

**Brownfield Assessment Grant Fund** - This fund is used to account for the activity of an EPA Grant relating to Brownfield sites.

**City of Jackson, Michigan  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
June 30, 2005**

Assets :	Ella W. Sharp Park Operating		Land Acquisition	Heating Initiative	Public Improvement	Building Department	Budget Stabilization	Drug Law Enforcement	Local Law Enforcement Block Grant	LAWNET Grant	Recreation Activity	Community Development Home Grant	Employee Health Care	Brownsfield Assessment Grant	Totals
	Local Street	Sale of Land													
Cash and cash equivalents	\$ 135,034	\$ 21,097	\$ -	\$ 6,839	\$ 205,073	\$ 383,323	\$ (32,283)	\$ 4,740	\$ 34,607	\$ (7,327)	\$ 83,350	\$ 77,970	\$ 255,092	\$ (607)	\$ 2,789,610
Accounts receivables (net of allowances for uncollectibles)	-	-	-	-	-	63,069	-	-	-	-	10	-	-	-	63,079
Due from other governmental units:															
State of Michigan	98,639	-	-	-	-	-	-	-	-	8,307	-	-	-	-	98,639
Federal Government	-	-	-	-	-	-	-	-	-	-	-	-	-	4,423	12,690
Inventories, at cost	-	11,338	-	-	-	-	-	-	-	-	-	-	-	-	11,338
<b>Total assets</b>	<b>\$ 233,673</b>	<b>\$ 32,435</b>	<b>\$ -</b>	<b>\$ 6,839</b>	<b>\$ 205,073</b>	<b>\$ 383,323</b>	<b>\$ 29,786</b>	<b>\$ 4,740</b>	<b>\$ 34,607</b>	<b>\$ 1,180</b>	<b>\$ 83,360</b>	<b>\$ 77,970</b>	<b>\$ 255,092</b>	<b>\$ 3,816</b>	<b>\$ 2,975,616</b>
<b>Liabilities and Fund Balances :</b>															
<b>Liabilities :</b>															
Accounts payable	-	\$ 11,785	\$ -	\$ -	\$ 5,685	\$ -	\$ 18,112	\$ 230	\$ -	\$ -	\$ 2,416	\$ 17,010	\$ -	\$ 3,816	\$ 59,054
Accrued payroll	2,315	18,816	-	-	-	10,901	-	-	-	-	8,592	-	-	-	40,534
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	383	-	-	383
Deferred revenue	-	-	-	-	-	-	-	33,079	-	-	-	60,577	-	-	93,656
<b>Total liabilities</b>	<b>2,315</b>	<b>30,601</b>	<b>-</b>	<b>-</b>	<b>5,685</b>	<b>29,013</b>	<b>29,013</b>	<b>230</b>	<b>33,079</b>	<b>-</b>	<b>10,918</b>	<b>77,970</b>	<b>-</b>	<b>3,816</b>	<b>193,627</b>
<b>Fund Balances :</b>															
Reserved for:															
Inventory	-	11,338	-	-	-	-	-	-	-	-	-	-	-	-	11,338
Unreserved:															
Designated for subsequent year's expenditures	173,663	-	-	5,000	30,000	2,715	-	2,870	7,445	-	15,772	-	-	-	256,963
Undesignated (deficit)	38,195	(9,504)	-	1,839	149,388	380,810	773	1,640	14,083	1,180	56,670	-	255,092	-	2,313,666
<b>Total fund balances</b>	<b>231,858</b>	<b>1,854</b>	<b>-</b>	<b>6,839</b>	<b>199,388</b>	<b>383,523</b>	<b>773</b>	<b>4,510</b>	<b>21,528</b>	<b>1,180</b>	<b>72,442</b>	<b>-</b>	<b>255,092</b>	<b>-</b>	<b>2,781,989</b>
<b>Total liabilities and fund balances</b>	<b>\$ 233,673</b>	<b>\$ 32,435</b>	<b>\$ -</b>	<b>\$ 6,839</b>	<b>\$ 205,073</b>	<b>\$ 383,323</b>	<b>\$ 29,786</b>	<b>\$ 4,740</b>	<b>\$ 34,607</b>	<b>\$ 1,180</b>	<b>\$ 83,360</b>	<b>\$ 77,970</b>	<b>\$ 255,092</b>	<b>\$ 3,816</b>	<b>\$ 2,975,616</b>

**City of Jackson, Michigan**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2005**

Local Street	Ella W. Sharp Park Operating	Sale of Land	Land Acquisition	Housing Initiative	Public Improvement	Building Department	Budget Stabilization	Drug Law Enforcement	Local Law Enforcement Block Grant	LAWNET Grant	Recreation Activity	Community Development Home Grant	Employee Health Care	Brownfield Assessment Grant	Totals
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
609,745	-	-	-	-	1,071,838	-	-	-	63,030	55,404	-	351,842	-	4,423	474,699
538,031	-	-	-	-	-	400,214	-	-	-	-	291,201	-	-	-	609,745
656	1,904	-	-	2,370	24,098	2,797	11,158	515	1,582	37	1,504	-	92	-	1,229,446
-	-	-	-	1,600	-	-	-	28,439	-	-	-	66,489	-	-	47,003
610,401	539,915	-	-	3,370	1,095,936	403,011	31,138	28,974	64,612	55,441	292,705	418,331	92	4,423	3,528,079
-	-	-	-	-	-	606,114	-	5,562	68,389	120,209	-	-	-	-	800,474
808,606	634,954	-	-	-	-	-	-	-	-	-	289,213	-	-	4,423	813,029
-	-	-	-	31,542	236,848	-	-	-	-	-	-	418,331	-	-	686,721
-	-	-	8,752	42,259	-	-	-	-	-	-	-	-	-	-	51,011
-	-	-	8,752	-	-	-	-	-	-	-	-	-	-	-	85,000
808,606	634,954	-	8,752	73,801	329,724	606,114	-	5,562	68,389	120,209	289,213	418,331	-	4,423	3,368,278
(198,205)	(95,019)	-	(8,462)	(70,431)	766,212	(203,103)	11,158	23,412	(3,977)	(64,768)	3,492	-	92	-	160,401
200,811	96,508	-	-	54,270	-	175,000	1,000,000	-	3,675	65,123	-	-	250,000	-	54,270
(12,998)	-	-	-	70,000	(989,343)	-	(11,158)	(65,123)	-	-	-	-	-	-	1,861,117
188,413	96,508	-	-	124,270	(989,343)	175,000	988,842	(65,123)	3,675	65,123	-	-	250,000	-	(1,078,022)
(9,792)	1,489	-	(8,462)	53,839	(223,131)	(28,103)	1,000,000	(41,711)	(302)	355	3,492	-	250,092	-	997,766
241,150	365	-	15,301	145,549	606,656	28,876	603,500	46,221	21,830	825	68,950	-	5,000	-	1,784,223
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
231,358	1,854	-	6,839	199,388	383,525	773	1,603,500	4,510	21,238	1,180	72,442	-	255,092	-	2,781,989

Revenues :  
Property taxes  
Intergovernmental :  
Federal grants  
State grants & shared revenues  
Charges for services  
Investment income  
Miscellaneous  
Total revenues

Expenditures :  
Current :  
Public safety  
Public works  
Culture and recreation  
Community enrichment and development  
Capital outlay :  
Community entrenchment and development  
Debt service :  
Principal retirement  
Interest expense  
Total expenditures

Excess of revenues over (under) expenditures  
Other Financing Sources (Uses) :  
Proceeds from sale of capital assets  
Transfers in  
Transfers (out)  
Total other financing sources (uses)

Net change in fund balances  
Fund Balances - Beginning of Year  
Fund Balances - End of Year

**City of Jackson, Michigan**  
**Local Street Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		Actual Over (Under) Final Budget	2004 Actual
	Amended Budget	Actual		
<b>Revenues :</b>				
Intergovernmental-				
Gas & weight tax distribution	\$ 614,845	\$ 609,745	\$ (5,100)	\$ 629,040
Investment income	-	656	656	453
Miscellaneous	-	-	-	33,269
Total revenues	<u>614,845</u>	<u>610,401</u>	<u>(4,444)</u>	<u>662,762</u>
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Public works</b>				
Street construction	76,811	75,634	(1,177)	157,013
Street maintenance	544,500	536,233	(8,267)	589,214
Bridge maintenance	4,281	240	(4,041)	1,310
Bridge construction	3,500	-	(3,500)	-
Traffic services	43,767	36,643	(7,124)	28,703
Winter maintenance	166,698	159,856	(6,842)	150,008
Total expenditures	<u>839,557</u>	<u>808,606</u>	<u>(30,951)</u>	<u>926,248</u>
Excess of revenues over (under) expenditures	<u>(224,712)</u>	<u>(198,205)</u>	<u>26,507</u>	<u>(263,486)</u>
<b>Other Financing Sources :</b>				
<b>Transfers in :</b>				
Major streets	150,000	150,000	-	100,000
Community Development Block Grant Fund	-	-	-	12,466
Major/Local Streets Capital Projects	34,977	34,977	-	77,881
Special Assessment Capital Projects Fund	15,834	15,834	-	82,833
<b>Transfers (out) :</b>				
2003 MTF Bond Debt Service	(12,398)	(12,398)	-	(5,120)
Total other financing sources (uses)	<u>188,413</u>	<u>188,413</u>	<u>-</u>	<u>268,060</u>
Net change in fund balances	(36,299)	(9,792)	26,507	4,574
<b>Fund Balance - Beginning of Year</b>	<u>241,150</u>	<u>241,150</u>	<u>-</u>	<u>236,576</u>
<b>Fund Balance - End of Year</b>	<u>\$ 204,851</u>	<u>\$ 231,358</u>	<u>\$ 26,507</u>	<u>\$ 241,150</u>

**City of Jackson, Michigan**  
**Ella W. Sharp Park Operating Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>				
Charges for services	\$ 648,652	\$ 538,031	\$ (110,621)	\$ 543,914
Investment income	100	1,904	1,804	59
Miscellaneous	-	-	-	10,055
Total revenues	<u>648,752</u>	<u>539,935</u>	<u>(108,817)</u>	<u>554,028</u>
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Culture &amp; recreation :</b>				
Personal services	390,902	365,103	(25,799)	352,583
Materials & supplies	171,850	168,240	(3,610)	153,457
Contractual & other services	78,525	53,904	(24,621)	98,586
Capital outlay	48,700	47,707	(993)	9,551
Total expenditures	<u>689,977</u>	<u>634,954</u>	<u>(55,023)</u>	<u>614,177</u>
Excess of revenues over (under) expenditures	<u>(41,225)</u>	<u>(95,019)</u>	<u>(53,794)</u>	<u>(60,149)</u>
<b>Other Financing Sources :</b>				
<b>Transfers in :</b>				
General fund	-	60,000	60,000	18,500
Ella W. Sharp Endowment Fund	41,200	36,508	(4,692)	41,919
Total other financing sources	<u>41,200</u>	<u>96,508</u>	<u>55,308</u>	<u>60,419</u>
Net change in fund balances	(25)	1,489	1,514	270
<b>Fund Balance - Beginning of Year</b>	<u>365</u>	<u>365</u>	<u>-</u>	<u>95</u>
<b>Fund Balance - End of Year</b>	<u>\$ 340</u>	<u>\$ 1,854</u>	<u>\$ 1,514</u>	<u>\$ 365</u>

**City of Jackson, Michigan**  
**Sale of Land Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>				
Charges for services :				
Sale of cemetery lots	\$ -	\$ -	\$ -	\$ -
Sale of land - other	-	-	-	-
Total revenues	-	-	-	-
<b>Expenditures</b>	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	-
<b>Other Financing Uses :</b>				
Transfers out :				
General Fund	-	-	-	-
Housing Initiative Fund	(44,376)	-	44,376	-
Total other financing sources	(44,376)	-	44,376	-
Net change in fund balances	(44,376)	-	44,376	-
<b>Fund Balance - Beginning of Year</b>	-	-	-	-
<b>Fund Balance - End of Year</b>	\$ (44,376)	\$ -	\$ 44,376	\$ -

**City of Jackson, Michigan**  
**Land Acquisition Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		Actual Over (Under) Final Budget	2004 Actual
	Amended Budget	Actual		
<b>Revenues :</b>				
Investment income	\$ 150	\$ 190	40	35
Miscellaneous	1,000	100	(900)	-
Total revenues	<u>1,150</u>	<u>290</u>	<u>(860)</u>	<u>35</u>
<b>Expenditures -</b>				
<b>Capital outlay:</b>				
Community enrichment and development	11,000	8,752	(2,248)	516,080
Excess of revenues over (under) expenditures	<u>(9,850)</u>	<u>(8,462)</u>	<u>1,388</u>	<u>(516,045)</u>
<b>Other Financing Sources :</b>				
Bond proceeds	-	-	-	370,000
Transfers in -				
General Fund	-	-	-	150,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,000</u>
Net change in fund balances	(9,850)	(8,462)	1,388	3,955
<b>Fund Balance - Beginning of Year</b>	<u>15,301</u>	<u>15,301</u>	<u>-</u>	<u>11,346</u>
<b>Fund Balance - End of Year</b>	<u>\$ 5,451</u>	<u>\$ 6,839</u>	<u>\$ 1,388</u>	<u>\$ 15,301</u>

**City of Jackson, Michigan**  
**Housing Initiative Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>				
Investment income	\$ 1,100	\$ 2,370	\$ 1,270	\$ 1,432
Other	50,000	1,000	(49,000)	150,000
Total revenues	<u>51,100</u>	<u>3,370</u>	<u>(47,730)</u>	<u>151,432</u>
<b>Expenditures</b>				
<b>Current:</b>				
Community enrichment and development	48,766	31,542	(17,224)	23,973
<b>Capital outlay:</b>				
Community enrichment and development	127,000	42,259	(84,741)	229,093
Total expenditures	<u>175,766</u>	<u>73,801</u>	<u>(101,965)</u>	<u>253,066</u>
Excess of revenues over (under) expenditures	<u>(124,666)</u>	<u>(70,431)</u>	<u>54,235</u>	<u>(101,634)</u>
<b>Other Financing Uses :</b>				
Proceeds from sale of capital assets	55,000	54,270	(730)	73,481
<b>Transfers in :</b>				
General Fund	70,000	70,000	-	50,000
Total other financing sources	<u>125,000</u>	<u>124,270</u>	<u>(730)</u>	<u>123,481</u>
Net change in fund balances	334	53,839	53,505	21,847
<b>Fund Balance - Beginning of Year</b>	<u>145,549</u>	<u>145,549</u>	<u>-</u>	<u>123,702</u>
<b>Fund Balance - End of Year</b>	<u>\$ 145,883</u>	<u>\$ 199,388</u>	<u>\$ 53,505</u>	<u>\$ 145,549</u>

**City of Jackson, Michigan**  
**Public Improvement Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>				
Property taxes	\$ 1,055,500	\$ 1,071,838	\$ 16,338	\$ 1,024,909
Investment income	15,000	24,098	9,098	9,813
Miscellaneous	-	-	-	9
Total revenues	<u>1,070,500</u>	<u>1,095,936</u>	<u>25,436</u>	<u>1,034,731</u>
<b>Expenditures :</b>				
<b>Current :</b>				
Community enrichment & development	235,341	236,848	(1,507)	169,190
<b>Debt service:</b>				
Principal retirement	85,000	85,000	-	20,000
Interest	7,875	7,876	(1)	8,925
Total expenditures	<u>328,216</u>	<u>329,724</u>	<u>(1,508)</u>	<u>198,115</u>
Excess of revenues over (under) expenditures	<u>742,284</u>	<u>766,212</u>	<u>23,928</u>	<u>836,616</u>
<b>Other Financing Uses :</b>				
<b>Transfers in (out) :</b>				
General Fund	(151,864)	(82,662)	69,202	(68,589)
Capital Projects Fund	(292,119)	(188,689)	103,430	(168,189)
Major Street Fund	(717,992)	(717,992)	-	(182,008)
Total other financing (uses)	<u>(1,161,975)</u>	<u>(989,343)</u>	<u>172,632</u>	<u>(418,786)</u>
Net change in fund balances	(419,691)	(223,131)	196,560	417,830
<b>Fund Balance - Beginning of Year</b>	<u>606,656</u>	<u>606,656</u>	<u>-</u>	<u>188,826</u>
<b>Fund Balance - End of Year</b>	<u>\$ 186,965</u>	<u>\$ 383,525</u>	<u>\$ 196,560</u>	<u>\$ 606,656</u>

**City of Jackson, Michigan**  
**Building Department**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		Actual Over (Under) Final Budget	2004 Actual
	Amended Budget	Actual		
<b>Revenues :</b>				
Charges for services	\$ 288,800	\$ 400,214	\$ 111,414	\$ 332,077
Investment income	2,200	2,797	597	2,630
Total revenues	<u>291,000</u>	<u>403,011</u>	<u>112,011</u>	<u>334,707</u>
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Public Safety:</b>				
Personal services	402,050	374,796	(27,254)	365,635
Materials & supplies	12,100	10,025	(2,075)	12,567
Inspection services	45,000	45,350	350	16,975
Contractual & other services	57,990	175,943	117,953	(2,431)
Total expenditures	<u>517,140</u>	<u>606,114</u>	<u>88,974</u>	<u>392,746</u>
Excess of revenues over (under) expenditures	(226,140)	(203,103)	23,037	(58,039)
<b>Other Financing Sources :</b>				
<b>Transfers in :</b>				
General fund	197,264	175,000	(22,264)	70,000
Net change in fund balances	(28,876)	(28,103)	773	11,961
<b>Fund Balance - Beginning of Year</b>	<u>28,876</u>	<u>28,876</u>	<u>-</u>	<u>16,915</u>
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ 773</u>	<u>\$ 773</u>	<u>\$ 28,876</u>

**City of Jackson, Michigan**  
**Budget Stabilization**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		Actual Over (Under) Final Budget	2004 Actual
	Amended Budget	Actual		
<b>Revenues :</b>				
Investment income	\$ 15,000	\$ 11,158	\$ (3,842)	\$ 7,253
<b>Expenditures</b>	-	-	-	-
Excess of revenues over (under) expenditures	15,000	11,158	(3,842)	7,253
<b>Other Financing Sources (Uses) :</b>				
<b>Transfers in:</b>				
General Fund	1,000,000	1,000,000	-	-
<b>Transfers (out):</b>				
General Fund	(15,000)	(11,158)	3,842	(7,253)
Total other financing (uses)	985,000	988,842	3,842	(7,253)
Net change in fund balances	1,000,000	1,000,000	-	-
<b>Fund Balance - Beginning of Year</b>	603,500	603,500	-	603,500
<b>Fund Balance - End of Year</b>	\$ 1,603,500	\$ 1,603,500	-	\$ 603,500

**City of Jackson, Michigan**  
**Drug Law Enforcement Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>				
Investment income	\$ 556	\$ 515	\$ (41)	\$ 751
Miscellaneous :				
Sale of property	1,200	923	(277)	2,881
Other	28,002	27,536	(466)	64,335
Total revenues	<u>29,758</u>	<u>28,974</u>	<u>(784)</u>	<u>67,967</u>
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Public safety :</b>				
Materials and supplies	-	-	-	851
Contractual and other services	5,697	5,561	(136)	6,183
Capital Outlay	-	1	1	62,890
Total expenditures	<u>5,697</u>	<u>5,562</u>	<u>(135)</u>	<u>69,924</u>
Excess of revenues over (under) expenditures	<u>24,061</u>	<u>23,412</u>	<u>(649)</u>	<u>(1,957)</u>
<b>Other Financing Sources (Uses) :</b>				
<b>Transfers (out):</b>				
LAWNET Grant Fund	(65,123)	(65,123)	-	(29,500)
Total other financing (uses)	<u>(65,123)</u>	<u>(65,123)</u>	<u>-</u>	<u>(29,500)</u>
Net change in fund balances	(41,062)	(41,711)	(649)	(31,457)
<b>Fund Balance - Beginning of Year</b>	<u>46,221</u>	<u>46,221</u>	<u>-</u>	<u>77,678</u>
<b>Fund Balance - End of Year</b>	<u>\$ 5,159</u>	<u>\$ 4,510</u>	<u>\$ (649)</u>	<u>\$ 46,221</u>

**City of Jackson, Michigan**  
**Local Law Enforcement Block Grant**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>				
Intergovernmental - Federal grants	\$ 49,923	\$ 63,030	\$ 13,107	\$ 74,606
Investment income	1,310	1,582	272	1,368
Miscellaneous	-	-	-	1,410
Total revenues	<u>51,233</u>	<u>64,612</u>	<u>13,379</u>	<u>77,384</u>
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Public safety :</b>				
Personal services	64,467	66,232	1,765	67,400
Capital outlay	4,769	2,357	(2,412)	5,043
Total expenditures	<u>69,236</u>	<u>68,589</u>	<u>(647)</u>	<u>72,443</u>
Excess of revenues over (under) expenditures	(18,003)	(3,977)	14,026	4,941
<b>Other Financing Sources :</b>				
<b>Transfers in :</b>				
General Fund	3,675	3,675	-	7,003
Net change in fund balances	(14,328)	(302)	14,026	11,944
<b>Fund Balance - Beginning of Year</b>	<u>21,830</u>	<u>21,830</u>	<u>-</u>	<u>9,886</u>
<b>Fund Balance - End of Year</b>	<u>\$ 7,502</u>	<u>\$ 21,528</u>	<u>\$ 14,026</u>	<u>\$ 21,830</u>

**City of Jackson, Michigan**  
**LAWNET Grant Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>				
Intergovernmental - Federal grants	\$ 55,404	\$ 55,404	\$ -	\$ 32,352
Investment income	-	37	37	80
Miscellaneous	-	-	-	1,540
Total revenues	<u>55,404</u>	<u>55,441</u>	<u>37</u>	<u>33,972</u>
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Public safety :</b>				
Personal services	117,412	118,871	1,459	68,279
Contractual and other services	2,798	1,338	(1,460)	608
Total expenditures	<u>120,210</u>	<u>120,209</u>	<u>(1)</u>	<u>68,887</u>
Excess of revenues over (under) expenditures	<u>(64,806)</u>	<u>(64,768)</u>	<u>38</u>	<u>(34,915)</u>
<b>Other Financing Sources :</b>				
<b>Transfers in :</b>				
Drug Law Enforcement Fund	65,124	65,123	(1)	29,500
Net change in fund balances	318	355	37	(5,415)
<b>Fund Balance - Beginning of Year</b>	<u>825</u>	<u>825</u>	<u>-</u>	<u>6,240</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,143</u>	<u>\$ 1,180</u>	<u>\$ 37</u>	<u>\$ 825</u>

**City of Jackson, Michigan**  
**Recreation Activity Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>				
Charges for services	\$ 321,000	\$ 291,201	\$ (29,799)	\$ 318,680
Investment income	1,000	1,504	504	668
Miscellaneous	-	-	-	4,135
Total revenues	<u>322,000</u>	<u>292,705</u>	<u>(29,295)</u>	<u>323,483</u>
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Culture &amp; recreation :</b>				
Personal services	136,354	119,551	(16,803)	125,129
Materials & supplies	53,000	39,380	(13,620)	28,193
Contractual & other services	136,500	130,282	(6,218)	149,098
Total expenditures	<u>325,854</u>	<u>289,213</u>	<u>(36,641)</u>	<u>302,420</u>
Net change in fund balances	(3,854)	3,492	7,346	21,063
<b>Fund Balance - Beginning of Year</b>	<u>68,950</u>	<u>68,950</u>	<u>-</u>	<u>47,887</u>
<b>Fund Balance - End of Year</b>	<u>\$ 65,096</u>	<u>\$ 72,442</u>	<u>\$ 7,346</u>	<u>\$ 68,950</u>

**City of Jackson, Michigan**  
**Community Development Home Grant Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2004 Actual
<b>Revenues :</b>				
Intergovernmental - Federal and state grants	\$ 800,724	\$ 351,842	\$ (448,882)	\$ 661,343
Miscellaneous	-	66,489	66,489	4,824
<b>Total revenues</b>	<b>800,724</b>	<b>418,331</b>	<b>(382,393)</b>	<b>666,167</b>
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Community enrichment &amp; development</b>				
Rehabilitation assistance	432,098	186,889	(245,209)	512,468
Rental rehabilitation	26,230	-	(26,230)	-
Community housing development organizations	225,981	119,002	(106,979)	56,026
Administration and other	115,915	112,440	(3,475)	97,673
<b>Total expenditures</b>	<b>800,224</b>	<b>418,331</b>	<b>(381,893)</b>	<b>666,167</b>
Net change in fund balances	500	-	(500)	-
<b>Fund Balance - Beginning of Year</b>	-	-	-	-
<b>Fund Balance - End of Year</b>	<b>\$ 500</b>	<b>\$ -</b>	<b>\$ (500)</b>	<b>\$ -</b>

**City of Jackson, Michigan**  
**Employee Health Care Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		Variance - Favorable (Unfavorable)	2004 Actual
	Amended Budget	Actual		
<b>Revenues :</b>				
Investment income	\$ 150	\$ 92	\$ (58)	\$ -
Total revenues	150	92	(58)	-
<b>Other Financing Sources :</b>				
<b>Transfers in -</b>				
General Fund	250,000	250,000	-	5,000
Net change in fund balances	250,150	250,092	(58)	5,000
<b>Fund Balance - Beginning of Year</b>	5,000	5,000	-	-
<b>Fund Balance - End of Year</b>	\$ 255,150	\$ 255,092	\$ (58)	\$ 5,000

**City of Jackson, Michigan**  
**Brownfield Assessment Grant Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			2004 Actual
	Amended Budget	Actual	Variance - Favorable (Unfavorable)	
<b>Revenues :</b>				
Intergovernmental - Federal grants	\$ 200,000	\$ 4,423	\$ (195,577)	\$ -
Total revenues	200,000	4,423	(195,577)	-
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Public safety :</b>				
Materials and supplies	2,780	13	(2,767)	-
Contractual and other services	188,652	4,410	(184,242)	-
Total expenditures	191,432	4,423	(187,009)	-
Net change in fund balances	8,568	-	(8,568)	-
<b>Fund Balance - Beginning of Year</b>	-	-	-	-
<b>Fund Balance - End of Year</b>	\$ -	\$ -	\$ -	\$ -

# Nonmajor Debt Service Funds

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Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

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**City Hall Construction Debt Service Fund** - This fund is used to record the payment of interest and principal on the bonds issued for City Hall building improvements.

**Michigan Urban Land Assembly Loan Debt Service** - This fund is used to record the payment of interest and principal on the \$1,000,000 Urban Land Assembly Loan.

**1998 Michigan Transportation Debt Service Fund** - This fund is used to record the payment of interest and principal on the \$995,000 1998 Michigan Transportation Fund Bonds, which were used to fund a portion of the cost of constructing City street improvements.

**2003 Michigan Transportation Debt Service Fund** - This fund is used to record the payment of interest and principal on the \$1,750,000 2003 Series Michigan Transportation Fund Bonds, which were used to fund a portion of the cost of constructing City street improvements and a salt storage facility.

**Building Authority Debt Service Fund** - This fund is used to record principal and interest payments on the \$800,000 Building Authority Bonds dated June 1, 1992.

**2001 DDA TIF Debt Service Fund** - This fund is used to record principal and interest payments on the \$17,998,577 Downtown Development Authority bonds, used to finance the City's share of land acquisition and infrastructure improvements associated with the construction of the new Consumers Energy headquarters.

**2003 BRA TIF Debt Service Fund** - This fund is used to record principal and interest payments on the \$18.5 million Brownfield Redevelopment Authority Tax Increment used to finance the City's share of parking facilities and infrastructure improvements associated with the construction of the new Consumers Energy headquarters.

**Section 108 Loan Debt Service** - This fund is used to record principal and interest payments on the \$1,285,000 Section 108 Loan.

**Special Assessment Bond Debt Service Funds** - These funds are used to record principal and interest payments on Special Assessment Bond Issues used to finance public improvements deemed to benefit only properties against which special assessments are levied. The special assessment levies provide the funding for the principal and interest payments.

**City of Jackson, Michigan**  
**Nonmajor Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2005**

	2003			1998			2003			2001			2002			Section 108			1996			Totals
	City Hall Construction Debt Service	Michigan Urban Land Assembly Loan Debt Service	Michigan Transportation Fund Debt Service	2003 MTP Bond Debt Service	Building Authority Debt Service	2001 DDA TIF Debt Service	2002 BRA TIF Debt Service	Section 108 Loan Debt Service	Special Assessment Bond Debt Service													
<b>Assets:</b>																						
Cash and cash equivalents	\$ 1,798	\$ -	\$ 7	\$ -	\$ -	\$ 3,351	\$ -	\$ -	\$ -	\$ 29,658	\$ 4,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258	\$ 39,900	
Due from other funds	16,711	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,711	
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,157	19,157	
<b>Total assets</b>	<b>\$ 18,509</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,351</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,658</b>	<b>\$ 4,828</b>	<b>\$ -</b>	<b>\$ 19,415</b>	<b>\$ 75,768</b>								
<b>Liabilities and Fund Balances:</b>																						
<b>Liabilities:</b>																						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,724	\$ 25,625	
Deferred revenue - special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,157	19,157	
Total liabilities	-	-	-	-	-	-	-	-	-	18,901	-	-	-	-	-	-	-	-	-	25,881	44,782	
<b>Fund Balances -</b>																						
Unreserved, undesignated	18,509	-	7	-	-	3,351	-	-	10,757	4,828	-	-	-	-	-	-	-	-	-	(6,466)	30,986	
Total liabilities and fund balances	\$ 18,509	\$ -	\$ 7	\$ -	\$ -	\$ 3,351	\$ -	\$ -	\$ 29,658	\$ 4,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,415	\$ (6,466)	\$ 75,768	

**City of Jackson, Michigan**  
**Nonmajor Debt Service Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2005**

	2003			1998			2003			2001			2002			Section 108			1996			Totals
	City Hall Construction Debt Service	Michigan Urban Land Assembly Loan Debt Service	Michigan Transportation Fund Debt Service	MTF Bond Debt Service	Building Authority Debt Service	DDA TIF Debt Service	BR A TIF Debt Service	Loan Debt Service	Assessment Bond Debt Service	Special Assessment Bond Debt Service	Debt Service											
<b>Revenues:</b>																						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 219,584	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 229,584	
Property taxes	541,489	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	541,489	
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,929	
Investment income	2,167	-	-	-	-	-	9,753	-	5,742	-	-	-	-	-	-	-	-	-	-	-	18,194	
Total revenues	543,656	-	-	-	219,584	-	9,753	15,742	5,742	-	-	-	-	-	-	-	-	-	-	-	797,196	
<b>Expenditures:</b>																						
<b>Debt service:</b>																						
Principal retirement	10,000	144,000	105,000	110,000	160,000	275,000	-	-	65,000	-	-	-	-	-	-	-	-	-	-	-	954,000	
Interest & fiscal charges	617,956	-	18,841	44,975	59,584	471,790	955,721	4,667	62,424	955,721	4,667	62,424	955,721	4,667	62,424	955,721	4,667	62,424	955,721	4,667	2,235,958	
Total expenditures	627,956	144,000	123,841	154,975	219,584	746,790	955,721	4,667	127,424	955,721	4,667	127,424	955,721	4,667	127,424	955,721	4,667	127,424	955,721	4,667	3,189,958	
Excess of revenues under expenditures	(84,300)	(144,000)	(123,841)	(154,975)	-	(737,037)	(939,979)	(81,206)	(127,424)	(939,979)	(81,206)	(127,424)	(939,979)	(81,206)	(127,424)	(939,979)	(81,206)	(127,424)	(939,979)	(81,206)	(2,392,762)	
<b>Other Financing Sources:</b>																						
Transfers in	-	144,000	123,841	154,975	-	337,099	61,987	-	127,424	61,987	-	127,424	61,987	-	127,424	61,987	-	127,424	61,987	-	949,326	
Total other financing sources	-	144,000	123,841	154,975	-	337,099	61,987	-	127,424	61,987	-	127,424	61,987	-	127,424	61,987	-	127,424	61,987	-	949,326	
Net change in fund balances	(84,300)	-	-	-	-	(399,938)	(877,992)	(81,206)	-	(877,992)	(81,206)	-	-	(81,206)	-	-	-	-	-	-	(1,443,436)	
<b>Fund Balances - Beginning of Year</b>	102,809	-	7	-	3,351	410,695	882,820	74,740	-	882,820	74,740	-	-	882,820	74,740	-	-	-	-	-	1,474,422	
<b>Fund Balances - End of Year</b>	\$ 18,509	\$ -	\$ 7	\$ -	\$ 3,351	\$ 10,757	\$ 4,828	\$ (6,466)	\$ -	\$ 4,828	\$ (6,466)	\$ -	\$ -	\$ 4,828	\$ (6,466)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,986	

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# Nonmajor Capital Projects Funds

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**Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.**

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**Capital Projects** - This fund is used to account for monies set aside to fund various capital building and land improvements not otherwise funded by bond proceeds.

**2001 DDA TIF Construction Fund** - This fund is used to account for the proceeds of a bond issue to finance the development of a downtown office complex.

**2002 BRA TIF Construction Fund** - This fund is used to account for the proceeds of a bond issue to finance the City share of parking and infrastructure improvements associated with the development of a downtown office complex.

**2003 MTE Bond Construction Fund** - This fund is used to account for the receipt and expenditure of proceeds from the \$995,000 2003 Michigan Transportation Fund Bonds.

**Downtown Development Authority Project Fund** - This fund is used to account for the receipt and expenditure of tax increments based on the captured assessed value of property within the Amended Development Area.

City of Jackson, Michigan  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 June 30, 2005

	Capital Projects	2001 DDA TIF Construction Fund	2002 BRA TIF Construction Fund	2003 MTF Bond Construction	Downtown Development Authority Project	Totals
<b>Assets:</b>						
Cash and cash equivalents	\$ 100,741	\$ -	\$ -	\$ -	\$ 1,555,830	\$ 1,656,571
Due from other funds	1,659	-	-	-	18,901	20,560
	<u>\$ 102,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,574,731</u>	<u>\$ 1,677,131</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 55,753	\$ -	\$ -	\$ -	\$ 394	\$ 56,147
Other liabilities	11,422	-	-	-	-	11,422
Total liabilities	<u>67,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394</u>	<u>67,569</u>
<b>Fund Balances:</b>						
Unreserved:						
Undesignated	35,225	-	-	-	1,574,337	1,609,562
Total fund balances	<u>35,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,574,337</u>	<u>1,609,562</u>
Total liabilities and fund balances	<u>\$ 102,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,574,731</u>	<u>\$ 1,677,131</u>

**City of Jackson, Michigan**  
**Nonmajor Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2005**

	Capital Projects	2001 DDA TIF Construction Fund	2002 BRA TIF Construction Fund	2003 MTF Bond Construction	Downtown Development Authority Project	Totals
<b>Revenues:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 869,006	\$ 869,006
Donations	11,000	-	-	-	-	11,000
Investment income	7	-	1,620	4,811	24,556	30,994
<b>Total revenues</b>	<b>11,007</b>	<b>-</b>	<b>1,620</b>	<b>4,811</b>	<b>893,562</b>	<b>911,000</b>
<b>Expenditures:</b>						
<b>Capital outlay -</b>						
Public works	-	-	-	1	-	1
Community enrichment & development	202,598	35,877	281,972	-	113,791	634,238
<b>Total expenditures</b>	<b>202,598</b>	<b>35,877</b>	<b>281,972</b>	<b>1</b>	<b>113,791</b>	<b>634,239</b>
Excess of revenues over (under) expenditures	(191,591)	(35,877)	(280,352)	4,810	779,771	276,761
<b>Other Financing Sources (Uses):</b>						
<b>Transfers in (out) :</b>						
General Fund	29,124	-	-	-	-	29,124
Public Improvement Fund	188,689	-	-	-	-	188,689
Community Development	1,659	-	-	-	-	1,659
DDA	-	-	-	-	(225,000)	(225,000)
Major Street Fund	-	-	-	(230,044)	-	(230,044)
Local Street Fund	-	-	-	(34,977)	-	(34,977)
2001 DDA TIF debt service	-	(112,099)	-	-	-	(112,099)
2001 BRA TIF debt service	-	-	(61,987)	-	-	(61,987)
Michigan Urban Land Assembly debt service	-	-	-	-	(144,000)	(144,000)
Auto Parking System	-	-	-	-	(28,992)	(28,992)
<b>Total other financing sources (uses)</b>	<b>219,472</b>	<b>(112,099)</b>	<b>(61,987)</b>	<b>(265,021)</b>	<b>(397,992)</b>	<b>(617,627)</b>
Net change in fund balances	27,881	(147,976)	(342,339)	(260,211)	381,779	(340,866)
<b>Fund Balances - Beginning of Year</b>	<b>7,344</b>	<b>147,976</b>	<b>342,339</b>	<b>260,211</b>	<b>1,192,558</b>	<b>1,950,428</b>
<b>Fund Balances - End of Year</b>	<b>\$ 35,225</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,574,337</b>	<b>\$ 1,609,562</b>

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## Nonmajor Permanent Funds

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**Ella W. Sharp Park Endowment Fund**- This fund is used to account for monies received from the estate of Ella W. Sharp.

**Cuiss Endowment Fund**- This fund is used to account for monies donated by Victor and Jacquelyn Cuiss.

**Cemetery Perpetual Maintenance Fund**- This fund is used to account for money held in trust for the perpetual care of certain cemetery lots.

**City of Jackson, Michigan  
Nonmajor Permanent Funds  
Combining Balance Sheet  
June 30, 2005**

	Ella W. Sharp Park Endowment	Cuiss Endowment	Cemetery Perpetual Maintenance	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,672	\$ -	\$ 35,930	\$ 37,602
Investments, at fair value	965,225	25,847	1,572,424	2,563,496
Interest receivable	-	-	15,796	15,796
Due from other funds	225	-	-	225
Long-term advance to other funds :				
Ella W. Sharp Park Golf Practice Center Fund	140,000	-	-	140,000
 Total assets	 \$ 1,107,122	 \$ 25,847	 \$ 1,624,150	 \$ 2,757,119
<b>Liabilities and Fund Balance:</b>				
<b>Liabilities -</b>				
Due to other funds	\$ -	\$ 847	\$ 55,476	\$ 56,323
 <b>Fund Balances :</b>				
Reserved for :				
Perpetual Care	-	-	1,559,976	1,559,976
Endowment principal - Ella Sharp Park	1,107,122	-	-	1,107,122
Endowment principal - Cuiss	-	25,000	-	25,000
Unreserved, undesignated	-	-	8,698	8,698
 Total liabilities and fund balances	 \$ 1,107,122	 \$ 25,847	 \$ 1,624,150	 \$ 2,757,119

**City of Jackson, Michigan**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2005**

	Ella W. Sharp Park Endowment	Cuiss Endowment	Cemetery Perpetual Maintenance	Totals
<b>Revenues :</b>				
Charges for services - sales	\$ -	\$ -	\$ 34,945	\$ 34,945
Investment income	28,635	1,084	43,815	73,534
Total operating revenues	<u>28,635</u>	<u>1,084</u>	<u>78,760</u>	<u>108,479</u>
<b>Expenditures</b>	-	305	7,793	8,098
Revenues over expenditures	<u>28,635</u>	<u>779</u>	<u>70,967</u>	<u>100,381</u>
<b>Transfers in (Out) :</b>				
Ella W. Sharp Golf Practice Center	-	(779)	-	(779)
General Fund	-	-	(55,476)	(55,476)
Ella W. Sharp Park Operating Fund	(36,508)	-	-	(36,508)
Total transfers out	<u>(36,508)</u>	<u>(779)</u>	<u>(55,476)</u>	<u>(92,763)</u>
Net change in fund balances	(7,873)	-	15,491	7,618
<b>Fund Balances - Beginning of Year</b>	<u>1,114,995</u>	<u>25,000</u>	<u>1,553,183</u>	<u>2,693,178</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,107,122</u>	<u>\$ 25,000</u>	<u>\$ 1,568,674</u>	<u>\$ 2,700,796</u>

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# Nonmajor Enterprise Funds

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Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the government's commission is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered through user charges or where the government's commission has decided that periodic determination of net income is appropriate for accountability purposes.

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**Ella W. Sharp Park Golf Practice Center Fund** - This fund is used to account for the construction and operation of the Ella W. Sharp Park Golf Practice Center.

**Automobile Parking System Fund** - This fund is used to account for the operation of the Downtown Parking Garage and capital improvements to the City's parking system.

**Parking Assessment Fund** - This fund is used to account for the revenues and expenses of the City's Meterless Parking System.

**City of Jackson, Michigan**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Net Assets**  
**June 30, 2005**

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Totals
<b>Assets :</b>				
<b>Current Assets :</b>				
Cash and cash equivalents	\$ 12,050	\$ 94,979	\$ 295,067	\$ 402,096
Due from other funds	622	-	-	622
Current assets	<u>12,672</u>	<u>94,979</u>	<u>295,067</u>	<u>402,718</u>
<b>Noncurrent Assets :</b>				
<b>Capital Assets</b>				
Land and land improvements	356,715	2,399,829	-	2,756,544
	<u>356,715</u>	<u>2,399,829</u>	<u>-</u>	<u>2,756,544</u>
Less : Accumulated depreciation	178,358	361,760	-	540,118
Net capital assets	<u>178,357</u>	<u>2,038,069</u>	<u>-</u>	<u>2,216,426</u>
Total assets	<u>191,029</u>	<u>2,133,048</u>	<u>295,067</u>	<u>2,619,144</u>
<b>Liabilities :</b>				
<b>Current Liabilities :</b>				
Accounts payable	4,198	-	272	4,470
Accrued payroll	2,624	134	1,509	4,267
Installment purchase contract payable	-	50,000	-	50,000
Total current liabilities	<u>6,822</u>	<u>50,134</u>	<u>1,781</u>	<u>58,737</u>
<b>Non-Current Liabilities :</b>				
Long term advance from Ella W. Sharp Park Endowment Fund	140,000	-	-	140,000
Installment purchase contract payable	-	400,000	-	400,000
Total non-current liabilities	<u>140,000</u>	<u>400,000</u>	<u>-</u>	<u>540,000</u>
Total liabilities	<u>146,822</u>	<u>450,134</u>	<u>1,781</u>	<u>598,737</u>
<b>Net Assets :</b>				
Invested in capital assets, net of related debt	178,357	1,588,069	-	1,766,426
Unrestricted	(134,150)	94,845	293,286	253,981
Total net assets	<u>\$ 44,207</u>	<u>\$ 1,682,914</u>	<u>\$ 293,286</u>	<u>\$ 2,020,407</u>

**City of Jackson, Michigan**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2005**

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Totals
<b>Operating Revenues:</b>				
Charges for sales and services	\$ 47,841	\$ 65,791	\$ 62,727	\$ 176,359
Total operating revenues	<u>47,841</u>	<u>65,791</u>	<u>62,727</u>	<u>176,359</u>
<b>Operating Expenses:</b>				
Personal services	36,855	-	53,666	90,521
Materials and supplies	6,754	-	-	6,754
Contractual and other services	2,277	44,454	84,634	131,365
Depreciation	17,836	47,060	-	64,896
Total operating expenses	<u>63,722</u>	<u>91,514</u>	<u>138,300</u>	<u>293,536</u>
Operating income (loss)	<u>(15,881)</u>	<u>(25,723)</u>	<u>(75,573)</u>	<u>(117,177)</u>
<b>Non-operating Revenues (Expenses):</b>				
Investment income	136	1,726	5,675	7,537
Interest and fiscal charges	(3,500)	(22,278)	-	(25,778)
Total non-operating revenues (expenses)	<u>(3,364)</u>	<u>(20,552)</u>	<u>5,675</u>	<u>(18,241)</u>
Loss before transfers	<u>(19,245)</u>	<u>(46,275)</u>	<u>(69,898)</u>	<u>(135,418)</u>
<b>Transfers In:</b>				
Transfers In - General Fund	-	-	16,295	16,295
Transfers In - Special Assessment Capital Projects	-	-	58,525	58,525
Transfers In - Cuius Endowment	779	-	-	779
Transfers In - DDA Capital Projects	-	28,992	-	28,992
Total transfers in	<u>779</u>	<u>28,992</u>	<u>74,820</u>	<u>104,591</u>
Change in net assets	<u>(18,466)</u>	<u>(17,283)</u>	<u>4,922</u>	<u>(30,827)</u>
Net Assets - Beginning of Year	<u>62,673</u>	<u>1,700,197</u>	<u>288,364</u>	<u>2,051,234</u>
Net Assets - End of Year	<u>\$ 44,207</u>	<u>\$ 1,682,914</u>	<u>\$ 293,286</u>	<u>\$ 2,020,407</u>

**City of Jackson, Michigan**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2005**

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Totals
<b>Cash flows from operating activities</b>				
Payments to employees	\$ (35,303)	\$ -	\$ (53,428)	\$ (88,731)
Payments to vendors and claimants	(9,354)	(44,356)	(84,374)	(138,084)
Receipts from customers and users	47,841	65,791	62,727	176,359
Net cash provided by (used in) operating activities	3,184	21,435	(75,075)	( 50,456)
<b>Cash flows from capital and related financing activities</b>				
Principal paid on long-term debt	-	(50,000)	-	( 50,000)
Interest paid on long-term debt	(3,500)	(22,278)	-	( 25,778)
Net cash used in capital and related financing activities	(3,500)	(72,278)	-	( 75,778)
<b>Cash flows from non-capital financing activities</b>				
Transfer in	779	28,992	74,820	104,591
<b>Cash flows from investing activities</b>				
Interest received on investments	136	1,726	5,675	7,537
Net increase (decrease) in cash and cash equivalents	599	(20,125)	5,420	(14,106)
Cash and cash equivalents, beginning of year	11,451	115,104	289,647	416,202
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,050</b>	<b>\$ 94,979</b>	<b>\$ 295,067</b>	<b>\$ 402,096</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (15,881)	\$ (25,723)	\$ (75,573)	\$ (117,177)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	17,836	47,060	-	64,896
Increase (decrease) in:				
Accounts payable	1,155	98	238	1,491
Accrued payroll	74	-	260	334
Net cash provided by (used in) operating activities	\$ 3,184	\$ 21,435	\$ (75,075)	\$ ( 50,456)

# Internal Service Funds

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**Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.**

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**Workers' Compensation Fund** - This fund is used to record the activity of the City's self-insured workers compensation program. Revenues are supplied by charges to various City funds.

**Motor Pool And Garage Fund** - This fund is used to record the operations of the City's motor vehicle pool at the Department of Public Works. Revenues are supplied by equipment rental charges to other funds of the City.

**Public Works Administration Fund** - This fund is used to account for the administrative operations of the City's Department of Public Works.

**Engineering Administration Fund** - This fund is used to account for the administrative operations of the City's Engineering Department.

**City of Jackson, Michigan**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2005**

	Workers' Compensation	Motor Pool and Garage	Public Works Administration Fund	Engineering Administration Fund	Totals
<b>Assets :</b>					
<b>Current Assets :</b>					
Cash and cash equivalents	\$ 1,098,143	1,250,991	\$ 242,161	\$ 141,032	\$ 2,732,327
Accounts receivable	-	-	105,188	-	105,188
Prepaid items	46,000	-	-	-	46,000
Total current assets	<u>1,144,143</u>	<u>1,250,991</u>	<u>347,349</u>	<u>141,032</u>	<u>2,883,515</u>
<b>Noncurrent Assets:</b>					
Long-term advances					
Special Assessment Capital Projects Fund	805,466	-	-	-	805,466
Capital assets					
Equipment	-	3,239,581	-	-	3,239,581
Less : Accumulated depreciation	-	2,729,301	-	-	2,729,301
Net capital assets	-	510,280	-	-	510,280
Total noncurrent assets	<u>805,466</u>	<u>510,280</u>	<u>-</u>	<u>-</u>	<u>1,315,746</u>
Total assets	<u>1,949,609</u>	<u>1,761,271</u>	<u>347,349</u>	<u>141,032</u>	<u>4,199,261</u>
<b>Liabilities :</b>					
<b>Current Liabilities :</b>					
Accounts payable	14,305	23,184	49,183	11,620	98,292
Accrued payroll	-	6,913	15,593	6,065	28,571
Accrued compensated absences	-	-	3,393	8,382	11,775
Total current liabilities	<u>14,305</u>	<u>30,097</u>	<u>68,169</u>	<u>26,067</u>	<u>138,638</u>
<b>Non-Current Liabilities :</b>					
Accrued compensated absences	-	-	60,941	25,560	86,501
Estimated claims payable	512,007	-	-	-	512,007
Total non-current liabilities	<u>512,007</u>	<u>-</u>	<u>60,941</u>	<u>25,560</u>	<u>598,508</u>
Total liabilities	<u>526,312</u>	<u>30,097</u>	<u>129,110</u>	<u>51,627</u>	<u>737,146</u>
<b>Net assets :</b>					
Investment in capital assets, net of related debt	-	510,280	-	-	510,280
Unrestricted	1,423,297	1,220,894	218,239	89,405	2,951,835
Total net assets	<u>\$ 1,423,297</u>	<u>1,731,174</u>	<u>\$ 218,239</u>	<u>\$ 89,405</u>	<u>\$ 3,462,115</u>

**City of Jackson, Michigan**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2005**

	Workers' Compensation	Motor Pool and Garage	Public Works Administration Fund	Engineering Administration Fund	Totals
<b>Operating Revenues:</b>					
Charges for services:					
Equipment rentals	\$ -	\$ 1,052,023	\$ 602,864	\$ 343,997	\$ 1,998,884
Services rendered	235,417	-	-	-	235,417
Miscellaneous	31,014	58,737	7,898	260	97,909
Total operating revenues	<u>266,431</u>	<u>1,110,760</u>	<u>610,762</u>	<u>344,257</u>	<u>2,332,210</u>
<b>Operating Expenses:</b>					
Personal services	-	273,429	563,244	270,988	1,107,661
Administration	-	-	78,080	92,101	170,181
Materials and supplies	-	294,094	-	-	294,094
Contractual and other services	8,280	247,698	-	-	255,978
Benefit payments:					
Workers' compensation claims	228,348	-	-	-	228,348
Workers' compensation administrative fees and reinsurance	68,208	-	-	-	68,208
Equipment	-	936	-	-	936
Depreciation	-	143,285	-	-	143,285
Total operating expenses	<u>304,836</u>	<u>959,442</u>	<u>641,324</u>	<u>363,089</u>	<u>2,268,691</u>
Operating income (loss)	<u>(38,405)</u>	<u>151,318</u>	<u>(30,562)</u>	<u>(18,832)</u>	<u>63,519</u>
<b>Non-operating Revenues (Expenses):</b>					
Investment income	36,448	20,658	8,721	2,882	68,709
Total non-operating revenues	<u>36,448</u>	<u>20,658</u>	<u>8,721</u>	<u>2,882</u>	<u>68,709</u>
Net income (loss)	<u>(1,957)</u>	<u>171,976</u>	<u>(21,841)</u>	<u>(15,950)</u>	<u>132,228</u>
<b>Net Assets - Beginning of Year</b>	<u>1,425,254</u>	<u>1,559,198</u>	<u>240,080</u>	<u>105,355</u>	<u>3,329,887</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,423,297</u>	<u>\$ 1,731,174</u>	<u>\$ 218,239</u>	<u>\$ 89,405</u>	<u>\$ 3,462,115</u>

**City of Jackson, Michigan**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2005**

	Workers' Compensation	Motor Pool and Garage	Public Works Administration Fund	Engineering Administration Fund	Totals
<b>Cash flows from operating activities</b>					
Payments to employees	\$ -	\$ (273,065)	\$ (515,179)	\$ (260,655)	\$ (1,048,899)
Payments to vendors and claimants	(206,042)	(538,613)	(97,301)	(96,517)	(938,473)
Receipts for interfund services provided	266,431	1,110,760	583,929	344,257	2,305,377
Net cash provided by (used in) operating activities	60,389	299,082	(28,551)	(12,915)	318,005
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	-	(5,828)	-	-	(5,828)
Principal and interest repaid on advances	(88,077)	-	-	-	(88,077)
Net cash used in capital and related financing activities	(88,077)	(5,828)	-	-	(93,905)
<b>Cash flows from investing activities</b>					
Interest received on investments	36,448	20,658	8,721	2,882	68,709
Net increase (decrease) in cash and cash equivalents	8,760	313,912	(19,830)	(10,033)	292,809
Cash and cash equivalents, beginning of year	1,089,383	937,079	261,991	151,065	2,439,518
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,098,143</b>	<b>\$ 1,250,991</b>	<b>\$ 242,161</b>	<b>\$ 141,032</b>	<b>\$ 2,732,327</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income (loss)	\$ (38,405)	\$ 151,318	\$ (30,562)	\$ (18,832)	\$ 63,519
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	143,285	-	-	143,285
(Increase) decrease in:					
Accounts receivable	-	-	(26,833)	-	(26,833)
Increase (decrease) in:					
Accounts payable	8,777	4,115	38,178	9,055	60,125
Accrued payroll	-	364	(19,221)	(4,416)	(23,273)
Accrued compensated absences	-	-	9,887	1,278	11,165
Estimated claims payable	90,017	-	-	-	90,017
Net cash provided by (used in) operating activities	\$ 60,389	\$ 299,082	\$ (28,551)	\$ (12,915)	\$ 318,005

# Agency Funds

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**Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.**

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**Payroll Clearing** - This fund is used to process City-wide payroll.

**Jeopardy Tax Fund** - This fund is used to account for advance personal property payments from dissolved businesses.

**County And School Tax Collection Fund**- This fund is used to record transactions arising from the collection of taxes for the County of Jackson, Jackson Community College, Jackson Transit Authority and Jackson Public Schools.

**Employee Bond Savings Fund**- This fund is used to account for employee payroll deductions and related purchases of United States Savings Bonds.

**Mechanic Street Escrow Fund** - This fund is used to account for escrow deposits on a development project.

**Community Development Block Grant Escrow Fund**- This fund was established to act as an escrow depository for all loans and grants related to the City's Community Development Block Grant Rehabilitation Program.

**Act 495 Fire Trust Fund** - This fund was established to hold escrowed amounts from insurance proceeds due to fire loss in order to ensure that the damaged property is rehabilitated by the owner's.

**City of Jackson, Michigan**  
**All Agency Funds**  
**Combining Balance Sheet**  
**June 30, 2005**

	Payroll Clearing	Jeopardy Tax	County and School Tax Collection	Employee Bond Savings	Mechanic St Escrow Account	Community Development Block Grant Escrow	Act 495 Fire Trust Fund	Total
<b>Assets :</b>								
Cash and cash equivalents	\$ 17,019	\$ 2,410	\$ 1,961,505	\$ 575	\$ 73	\$ 2,000	\$ 20,568	\$ 2,004,150
	17,019	2,410	1,961,505	575	73	2,000	20,568	2,004,150
<b>Liabilities :</b>								
Accounts payable	\$ (3,242)	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ (1,242)
Due to other governments	(60,448)	2,410	2,022,885	-	-	-	-	1,964,847
Other liabilities	80,709	-	(61,380)	575	73	-	20,568	40,545
Total liabilities	\$ 17,019	\$ 2,410	\$ 1,961,505	\$ 575	\$ 73	\$ 2,000	\$ 20,568	\$ 2,004,150

**City of Jackson, Michigan**  
**All Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2005**

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<b>Payroll clearing account</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 120,378	\$ -	\$ 103,359	\$ 17,019
	<u>\$ 120,378</u>	<u>\$ -</u>	<u>\$ 103,359</u>	<u>\$ 17,019</u>
<b>Liabilities :</b>				
Accounts payable	\$ -	\$ -	\$ 3,242	\$ (3,242)
Due to other government units	120,378	26,483,119	26,522,788	20,261
	<u>\$ 120,378</u>	<u>\$ 26,483,119</u>	<u>\$ 26,526,030</u>	<u>\$ 17,019</u>
<b>Jeopardy Tax Fund :</b>				
<b>Assets :</b>				
Pooled cash and cash equivalents	\$ 2,410	\$ -	\$ -	\$ 2,410
	<u>\$ 2,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,410</u>
<b>Liabilities :</b>				
Due to General Fund	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	2,410	-	-	2,410
	<u>\$ 2,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,410</u>
<b>County &amp; School Tax Collection Fund :</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 12,928	\$ 31,212,054	\$ 29,263,477	\$ 1,961,505
Taxes receivable - real	-	22,641,904	22,641,904	-
	<u>\$ 12,928</u>	<u>\$ 53,853,958</u>	<u>\$ 51,905,381</u>	<u>\$ 1,961,505</u>
<b>Liabilities :</b>				
Due to other governmental units :				
Undistributed tax collections :				
Jackson County	\$ -	\$ 3,759,616	\$ 3,759,616	\$ -
Jackson Public Schools	-	7,500,975	7,500,975	-
Northwest Schools	-	19,071	19,071	-
Michigan Center Schools	-	88,494	88,494	-
East Jackson Schools	-	6,248	6,248	-
Jackson Intermediate School District	-	4,443,539	4,443,539	-
Jackson Community College	-	634,441	634,441	-
Jackson Transportation Authority	-	505,172	505,172	-
State of Michigan - Industrial Facilities Tax	-	835,229	835,229	-
State of Michigan - State Education Tax	-	3,295,229	3,295,229	-
Other	12,928	11,894,296	9,945,719	1,961,505
	<u>\$ 12,928</u>	<u>\$ 32,982,310</u>	<u>\$ 31,033,733</u>	<u>\$ 1,961,505</u>
<b>Employee Bond Savings Fund :</b>				
<b>Assets :</b>				
Pooled cash and cash equivalents	\$ 630	\$ 7,695	\$ 7,750	\$ 575
	<u>\$ 630</u>	<u>\$ 7,695</u>	<u>\$ 7,750</u>	<u>\$ 575</u>
<b>Liabilities :</b>				
Employees' bond deductions payable	\$ 630	\$ 7,695	\$ 7,750	\$ 575
	<u>\$ 630</u>	<u>\$ 7,695</u>	<u>\$ 7,750</u>	<u>\$ 575</u>
<b>Mechanic Street Escrow Account</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 73	\$ -	\$ -	\$ 73
	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73</u>
<b>Liabilities :</b>				
Customer deposits payable	\$ 73	\$ -	\$ -	\$ 73
	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73</u>

Continued

**City of Jackson, Michigan**  
**All Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2005**  
(Continued)

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<b>Community Development Block Grant Escrow Fund :</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 57,913	\$ 12,624	\$ 68,537	\$ 2,000
<b>Liabilities :</b>				
Accounts payable	\$ 57,913	\$ 12,624	\$ 68,537	\$ 2,000
<b>Act 495 Fire Trust Fund</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 33,367	\$ 20,637	\$ 33,436	\$ 20,568
<b>Liabilities :</b>				
Insurance deposits	\$ 33,367	\$ 20,637	\$ 33,436	\$ 20,568

\*\*\*\*\*

**Totals :**

<b>Assets :</b>				
Pooled cash and cash equivalents	\$ 3,040	\$ 7,695	\$ 7,750	\$ 2,985
Cash and cash equivalents	224,659	31,245,315	29,468,809	2,001,165
Taxes receivable - real	-	22,641,904	22,641,904	-
	<u>\$ 227,699</u>	<u>\$ 53,894,914</u>	<u>\$ 52,118,463</u>	<u>\$ 2,004,150</u>
<b>Liabilities :</b>				
Accounts payable	\$ 57,913	\$ 12,624	\$ 71,779	\$ (1,242)
Due to other governmental units :				
Undistributed tax collections :				
Jackson County	-	3,759,616	3,759,616	-
Jackson Public Schools	-	7,500,975	7,500,975	-
Northwest Schools	-	19,071	19,071	-
Michigan Center Schools	-	88,494	88,494	-
East Jackson Schools	-	6,248	6,248	-
Jackson Intermediate School District	-	4,443,539	4,443,539	-
Jackson Community College	-	634,441	634,441	-
Jackson Transportation Authority	-	505,172	505,172	-
State of Michigan - Industrial Facilities Tax	-	835,229	835,229	-
State of Michigan - State Education Tax	-	3,295,229	3,295,229	-
Other	135,789	38,377,415	36,528,955	1,984,249
Other liabilities :				
Employees' bond deductions payable	630	7,695	7,750	575
Insurance deposits	33,367	20,637	33,436	20,568
	<u>\$ 227,699</u>	<u>\$ 59,506,385</u>	<u>\$ 57,729,934</u>	<u>\$ 2,004,150</u>

**City of Jackson, Michigan**  
**Balance Sheet / Statement of Net Assets**  
**Brownfield Redevelopment Authority Component Unit**  
**June 30, 2005**

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	<u>Capital Projects</u>		<u>Statement</u>
	<u>Brownfield</u>		<u>of Net Assets</u>
	<u>Redevelopment</u>	<u>Adjustments</u>	
	<u>Authority</u>		
<b>Assets:</b>			
Pooled cash and cash equivalents	\$ 2,145,348	\$ -	\$ 2,145,348
<b>Liabilities</b>			
Accounts payable	\$ 107,138	-	107,138
<b>Fund Balances :</b>			
Unreserved - undesignated	2,038,210	(2,038,210)	-
	2,038,210	(2,038,210)	-
Total liabilities and fund balance	<u>\$ 2,145,348</u>		
<b>Net Assets :</b>			
Unrestricted		<u>\$ 2,038,210</u>	<u>\$ 2,038,210</u>

**City of Jackson, Michigan**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances / Statement of Activities**  
**Brownfield Redevelopment Authority Component Unit**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Capital Projects</u>		
	<u>Brownfield</u>		
	<u>Redevelopment</u>		<u>Statement</u>
	<u>Authority</u>	<u>Adjustments</u>	<u>of Activities</u>
<b>Revenue:</b>			
Property tax	\$ 1,334,954	\$ -	\$ 1,334,954
Interest revenue	18,208	-	18,208
<b>Total revenue</b>	<u>1,353,162</u>	<u>-</u>	<u>1,353,162</u>
<b>Expenditures/Expenses:</b>			
Community enrichment	310,219	-	310,219
Excess of revenues over expenditures	1,042,943	-	-
Change in net assets	-	-	1,042,943
<b>Fund Balances / Net Assets - Beginning of year</b>	<u>995,267</u>	<u>-</u>	<u>995,267</u>
<b>Fund Balances / Net Assets - End of year</b>	<u>\$ 2,038,210</u>	<u>\$ -</u>	<u>\$ 2,038,210</u>

# **STATISTICAL SECTION**

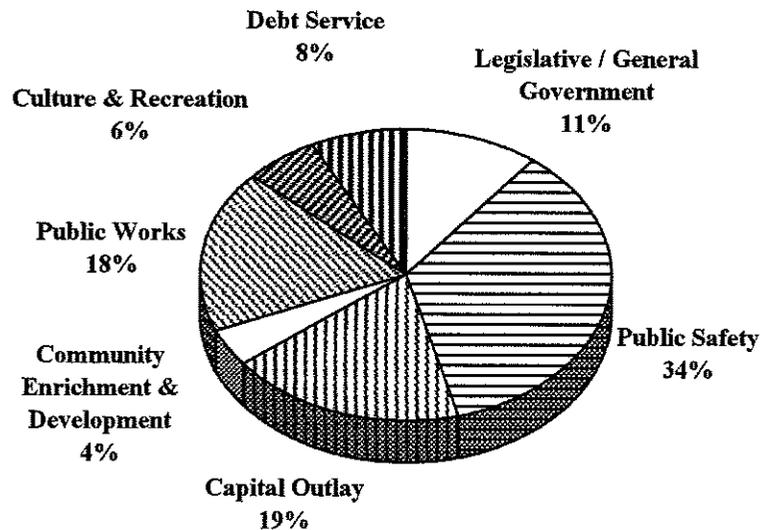
**City of Jackson, Michigan**  
**Governmental Fund Expenditures by Function (1)**  
**Last Ten Fiscal Years**

Table 1

Fiscal Year	Legislative	General Government	Public Safety	Public Works	Culture and Recreation	Community Enrichment and Development	Capital Outlay	Debt Service	Total
1996	\$ 51,463	\$ 3,316,612	\$ 12,597,071	\$ 7,710,673	\$ 1,669,795	\$ 1,958,213	\$ 41,570	\$ 1,478,496	\$ 28,823,893
1997	59,112	3,432,620	13,612,267	7,074,128	1,816,325	2,537,467	41,329	1,561,850	30,135,098
1998	63,287	4,207,280	13,783,936	5,658,140	2,133,522	1,758,413	99,795	1,650,621	29,354,994
1999	47,067	4,108,196	13,863,581	7,388,586	2,098,722	2,335,670	481,930	811,157	31,134,909
2000	58,791	3,894,168	13,862,836	7,012,898	2,039,918	2,928,144	629,992	845,036	31,271,783
2001	61,317	4,002,020	14,123,279	8,489,758	2,098,837	4,281,114	13,323,432	765,231	47,144,988
2002	75,940	4,283,723	13,353,931	5,587,490	2,432,546	2,168,430	2,187,506	1,451,597	31,541,163
2003	76,713	4,432,218	13,816,626	9,323,432	2,555,559	16,208,105	947,770	2,456,507	49,816,930
2004	76,344	4,366,698	14,282,280	6,179,742	2,463,750	2,644,390	4,048,998	2,563,578	36,625,780
2005	70,428	4,481,144	15,252,256	7,860,861	2,432,741	1,816,545	8,094,359	3,282,834	43,291,168

(1) Includes general, special revenue, debt service and capital project funds.

**Governmental Fund Expenditures By Function**  
**Fiscal Year 2005**



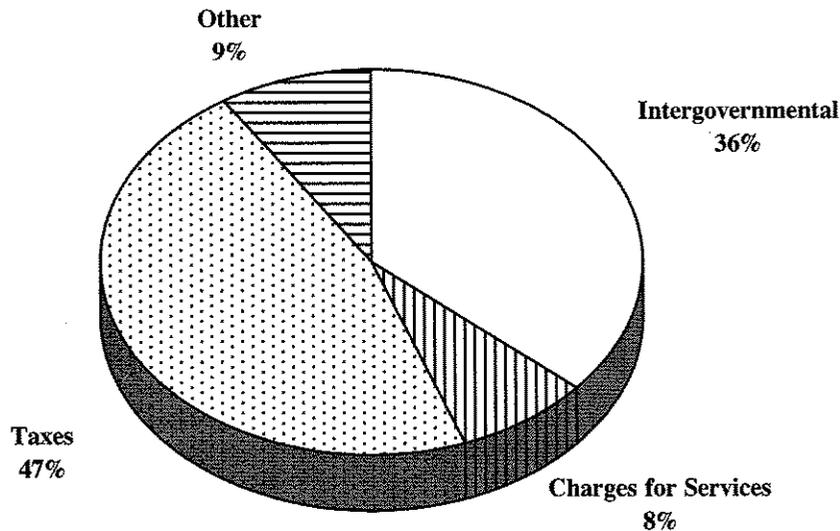
**City of Jackson, Michigan**  
**Governmental Fund Revenues By Source (1)**  
**Last Ten Fiscal Years**

Table 2

Fiscal Year	Taxes	Licenses and Permits	Inter-Governmental	Charges for Services	Fines and Forfeits	Special Assessments	Investment Income	Miscellaneous	Total
1996	\$12,806,087	\$310,794	\$11,469,914	\$1,879,215	\$195,638	\$518,089	\$443,183	\$502,078	\$28,124,998
1997	13,409,012	322,544	10,714,223	1,992,246	206,547	518,471	469,706	585,727	28,218,476
1998	13,850,717	339,358	11,154,020	2,132,051	283,761	435,692	432,867	1,410,986	30,039,452
1999	13,425,400	446,626	12,356,559	2,260,705	335,621	614,222	389,208	686,017	30,514,358
2000	13,631,682	358,074	12,562,148	2,101,178	358,667	375,912	444,178	661,046	30,492,885
2001	13,702,763	486,357	16,474,679	2,072,603	344,046	368,804	468,792	1,275,535	35,193,579
2002	13,372,157	542,190	11,894,532	2,344,427	276,971	383,620	412,101	807,545	30,033,543
2003	13,596,113	218,273	14,305,787	2,882,738	250,233	266,702	476,978	1,475,169	33,471,993
2004	14,879,726	216,538	11,534,408	2,875,007	264,746	478,716	253,453	1,454,100	31,956,694
2005	16,325,697	254,973	12,845,112	2,832,829	258,178	249,531	311,614	2,135,528	35,213,462

(1) Includes general, special revenue, debt service and capital project funds.

**Governmental Fund Revenues By Source**  
**Fiscal Year 2005**



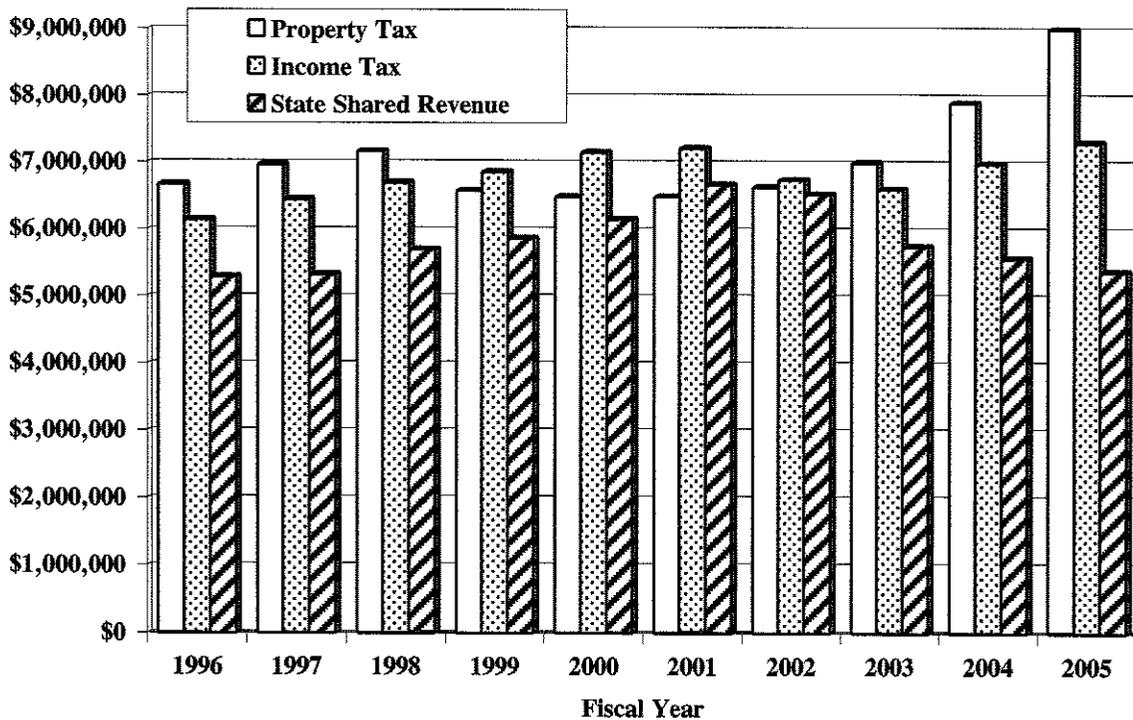
**City of Jackson, Michigan**  
**Governmental Fund Tax Revenues By Source (1)**  
**Last Ten Fiscal Years**

Table 2a

Fiscal Year	Property Tax (2)	Income Tax	State Shared Revenue (3)	Total
1996	\$ 6,668,800	\$6,137,287	\$5,282,230	\$18,088,317
1997	6,962,171	6,446,841	5,319,405	18,728,417
1998	7,160,581	6,690,136	5,694,297	19,545,014
1999	6,572,678	6,852,722	5,860,341	19,285,741
2000	6,483,288	7,148,394	6,147,532	19,779,214
2001	6,488,224	7,214,539	6,669,977	20,372,740
2002	6,632,326	6,739,831	6,523,137	19,895,294
2003	6,993,620	6,602,493	5,743,258	19,339,371
2004	7,895,666	6,984,060	5,566,596	20,446,322
2005	9,025,685	7,300,012	5,366,627	21,692,324

- (1) Includes general, special revenue, debt service and capital project funds.
- (2) Differs from actual levy shown on Table 3 due to method of recognition of delinquent personal property taxes.
- (3) Amounts shown includes only revenue sharing distributions made under the State Revenue Sharing Act of 1971 and by Act 342, Public Acts of Michigan, 1996, which amended that Act.

**Governmental Fund Tax Revenues By Source**  
**Last Ten Fiscal Years**



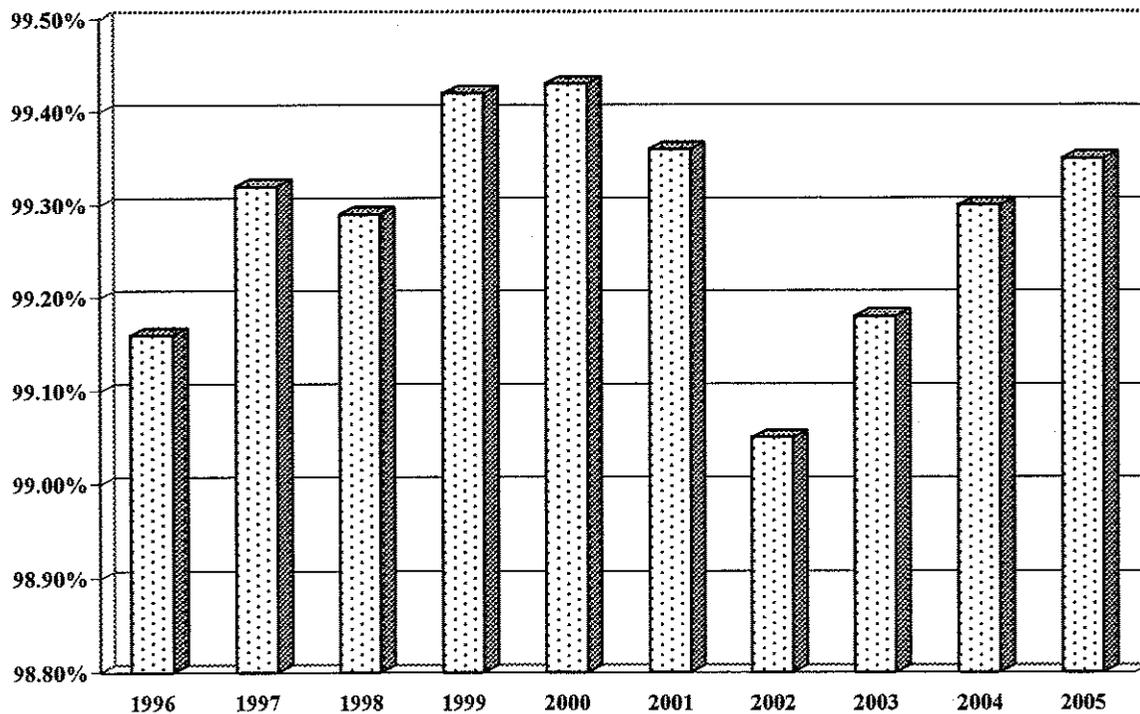
**City of Jackson, Michigan  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Table 3

Fiscal Year(1)	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1996	\$ 6,549,521	\$ 6,003,199	91.66%	\$ 491,001	\$ 6,494,200	99.16%	\$ 55,321	0.84%
1997	6,846,937	6,283,903	91.78%	516,659	6,800,562	99.32%	46,375	0.68%
1998	7,007,246	6,478,730	92.46%	479,062	6,957,792	99.29%	49,454	0.71%
1999	6,468,370	5,993,199	92.65%	437,451	6,430,650	99.42%	37,720	0.58%
2000	6,403,803	5,920,634	92.45%	446,418	6,367,052	99.43%	36,751	0.57%
2001	6,411,359	5,939,660	92.64%	430,663	6,370,323	99.36%	41,036	0.64%
2002	6,519,371	6,016,302	92.28%	440,904	6,457,206	99.05%	62,165	0.95%
2003	6,699,761	6,195,766	92.48%	448,880	6,644,646	99.18%	55,115	0.82%
2004	7,760,751	7,239,082	93.28%	467,710	7,706,792	99.30%	53,959	0.70%
2005	8,042,591	7,457,299	92.72%	533,197	7,990,496	99.35%	52,095	0.65%

(1) Fiscal year tax is collected - 2005 represents July 1, 2004 levy.

**Ratio of Total Tax Collections to Total Tax Levy  
Last Ten Fiscal Years**



**City of Jackson, Michigan**  
**Total Assessed/Taxable and Estimated Actual Value of Property (1)**  
**Last Ten & Current Fiscal Years**

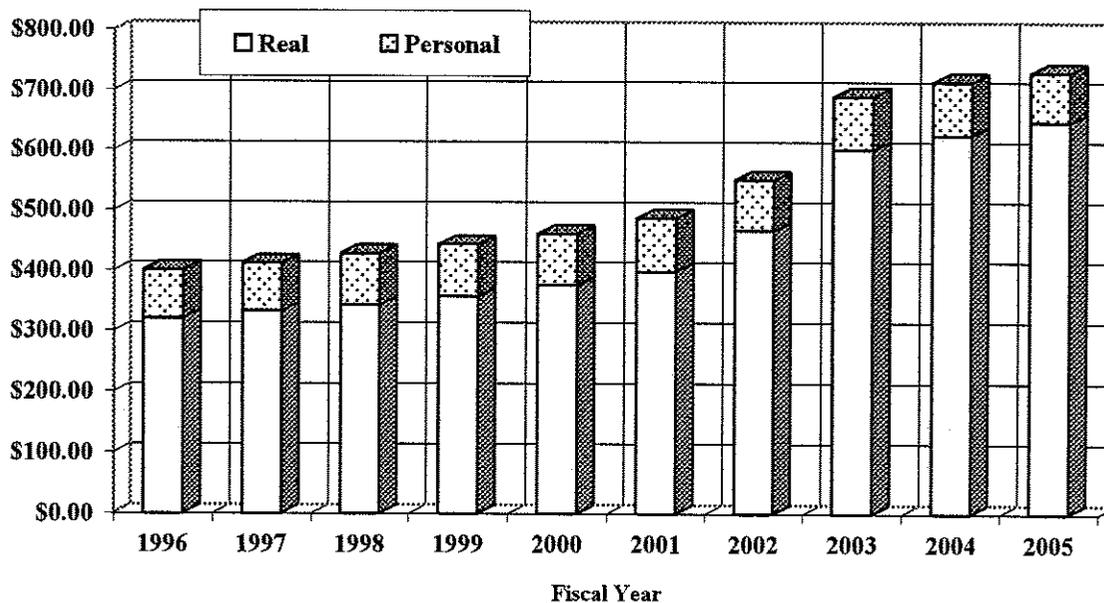
Table 4

For Levy July 1 (2)	Real Property		Personal Property		Total		Ratio of Assessed/ Taxable to Total Estimated Actual Value	Percent Increase in Estimated Actual Value Over Prior Year
	Assessed/ Taxable Value	Estimated Actual Value	Assessed/ Taxable Value	Estimated Actual Value	Assessed/ Taxable Value	Estimated Actual Value		
1996	\$320,775,381	\$701,239,060	\$80,302,000	\$160,604,000	\$401,077,381	\$861,843,060	46.54%	6.43%
1997	332,955,363	741,186,340	79,260,800	158,521,600	412,216,163	899,707,940	45.82%	4.39%
1998	343,766,378	790,256,400	84,753,350	169,506,600	428,519,728	959,763,000	44.65%	6.67%
1999	357,347,086	872,402,600	86,495,400	172,990,800	443,842,486	1,045,393,400	42.46%	8.92%
2000	376,378,616	958,921,100	84,795,600	169,591,200	461,174,216	1,128,512,300	40.87%	7.95%
2001	399,000,117	1,049,948,200	88,494,800	176,989,600	487,494,917	1,226,937,800	39.73%	8.72%
2002	466,897,355	1,228,464,200	84,886,500	169,773,000	551,783,855	1,398,237,200	39.46%	13.96%
2003	601,930,007	1,552,251,300	88,568,100	177,136,200	690,498,107	1,729,387,500	39.93%	23.68%
2004	625,718,543	1,601,121,700	88,893,584	177,797,200	714,612,127	1,778,918,900	40.17%	27.23%
2005	647,461,327	1,632,638,500	83,275,869	166,551,738	730,737,196	1,799,190,238	40.61%	4.04%

- (1) Ad Valorem assessments only; amounts do not include Act 189 or industrial and commercial facility tax assessments/taxable values. The term "taxable value" rather than "assessed value" is used in determining tax liability effective 7/1/94.
- (2) The July 1, 2004 levy is for fiscal year 2005. The July 1, 2005 levy is for the current fiscal year ending June 30, 2006.
- (3) Above Ad Valorem assessments include those properties located within Renaissance Zones and which are currently subject only to millage levied for bonded indebtedness.

**Real and Personal Property - Assessed/Taxable Values**  
**Last Ten & Current Fiscal Years**

Millions



**City of Jackson, Michigan**  
**Property Tax Rates (1)**  
**Direct and Overlapping Governments**  
**Last Ten & Current Fiscal Years**

Table 5

Levied July 1 (2)	City of Jackson, Michigan						County of Jackson, Michigan			
	Operating Millage	Public Improve- ment	Parking Garage & Sewer Debt	City Hall Debt	Act 345 Pension	Total City Millage	Operating Millage	Jail Debt	Senior Services/ MCF	District Library
1996	6.7900	1.9400	2.1770	---	5.4330	16.3400	5.6198	---	0.4723	0.9445
1997	6.7900	1.9400	2.1100	---	5.4670	16.3070	5.6198	---	0.1500	0.9445
1998	7.0000	2.0000	---	---	5.3000	14.3000	5.5626	---	0.1485	0.9349
1999	6.9482	1.9852	---	---	4.5800	13.5134	5.4819	---	0.1500	0.9208
2000	6.8620	1.9605	---	---	4.2000	13.0225	5.4194	---	0.1482	0.9102
2001	6.8057	1.9444	---	---	3.8500	12.6001	5.3559	---	0.1465	0.8995
2002	6.7192	1.9197	---	---	3.7000	12.3389	5.2734	0.5000	0.1442	0.8856
2003	6.7192	1.9197	---	---	4.1500	12.7889	5.2022	0.4932	0.1422	0.8736
2004	6.7192	1.9197	---	0.7400	4.5000	13.8789	5.1709	0.4902	0.3913	0.8682
2005	6.7192	1.9197	---	0.7500	4.1200	13.5089	5.1471	0.4879	0.3894	0.8642

Levied July 1 (2)	Jackson Public Schools			Jackson Transit Authority	Jackson Intermediate School District		Jackson Community College		Totals	
	Operating Millage (3)	S.E.T.	Debt / Rec. (4)	Operating Millage	Operating Millage	Special & Voc. Ed.	Operating Millage	Debt Service	Home- stead	Non Home- stead
1996	18.0000	6.0000	---	1.0000	0.3767	7.5508	1.2492	0.1100	39.6633	57.6633
1997	18.0000	6.0000	---	1.0000	0.3747	8.5107	1.2490	0.1100	40.2657	58.2657
1998	18.0000	6.0000	---	0.5000	0.3730	8.4715	1.2446	0.0500	37.5851	55.5851
1999	17.9298	6.0000	1.1300	0.9926	0.3677	8.3519	1.2266	---	38.1349	56.0647
2000	17.8114	6.0000	1.9500	0.9802	0.3610	8.2014	1.2131	---	38.2060	56.0174
2001	17.6047	6.0000	1.9500	0.9721	0.3580	8.1348	1.1980	---	37.6149	55.2196
2002	17.8820	6.0000	1.9500	0.9597	0.3525	7.0693	1.1798	---	36.6534	54.5354
2003	17.8820	5.0000	1.9500	0.9597	0.3477	7.8730	1.1638	---	36.7943	54.6763
2004	17.8820	6.0000	2.4500	0.9597	0.3455	7.8249	1.1565	---	39.5361	57.4181
2005	17.8820	6.0000	2.6000	0.9597	0.3439	7.7895	1.1511	---	39.2417	57.1237

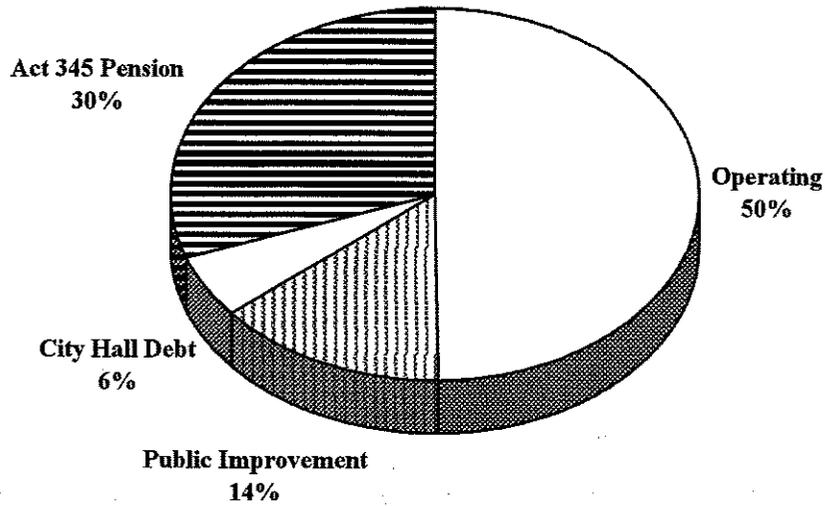
- (1) Does not include 2 mills for Downtown Development Authority which is levied on the Central Business District only.
- (2) The July 1, 2004 levy is for fiscal year 2005. The July 1, 2005 levy is for the current fiscal year ending June 30, 2006.
- (3) Passage of Proposal A in 1994 reduced operating millage for Jackson Public Schools to 18 mills for non-homestead properties with homestead properties exempt. Both homestead and non-homestead properties are subject to the State Education Tax (S.E.T.) of 6 mills as well as the debt service levy (reduced to 5 mills for 2003 only under PA 244 of 2002). Homestead is defined as a dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner.
- (4) Recreation Millage (voted) effective 7/1/05 - .2000 mills for 10 years; Remaining millage shown is voted debt.

Note: Rates are per \$1,000 of assessed/taxable valuation.

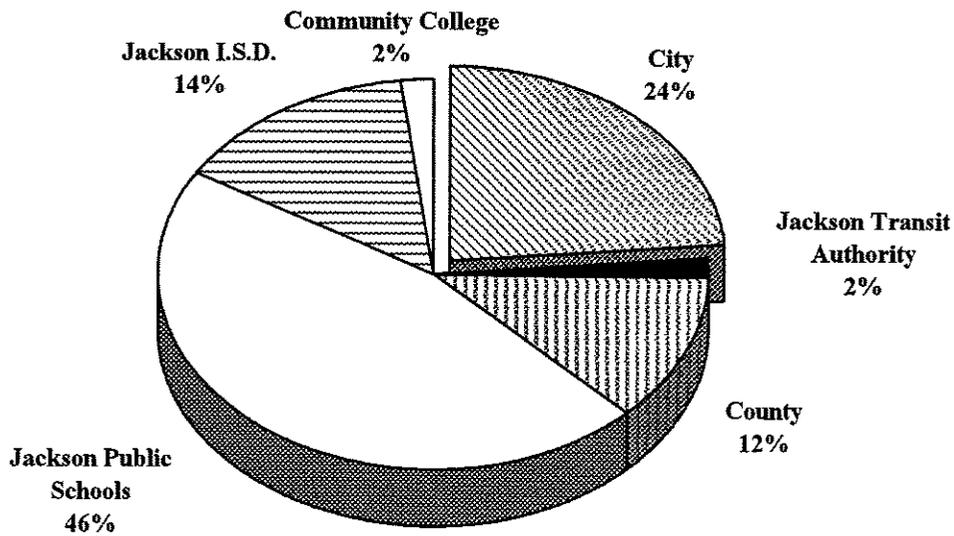
**City of Jackson, Michigan**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Levied July 1, 2005**

Table 5a

**City of Jackson (Direct) Tax Rates**



**Direct and Overlapping Governments (Non-Homestead)**



**City of Jackson, Michigan**  
**Principal Taxpayers and Major Employers**  
**June 30, 2005**

Table 6

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation (1)</u>
Consumers Energy	Electrical and Gas Utility	\$ 49,400,995	6.76%
Ramco (Jackson Crossing)	Property Rental/Management	7,567,504	1.04%
Wolverine Technologies, Inc.	Plastic Extrusion (Home Siding, etc...)	6,835,793	0.94%
Alro Steel	Industrial Steel Products & Supplies	5,964,954	0.82%
Edscha Jackson Group	Automobile Component Sales	5,803,684	0.79%
Home Depot	Retail Sales	5,753,317	0.79%
Alpine Lake Apartments LLC	Property Rental/Management	3,110,525	0.43%
Dayton Hudson (Target Store)	Retail Sales	3,038,238	0.42%
GIP M/U/M LLC	Property Rental/Management	2,825,950	0.39%
Eaton - Aeroquip Corporation	Aerospace, Industrial and Automobile	2,757,315	0.38%
		<u>\$ 93,058,275</u>	<u>12.76%</u>

(1) Total Ad Valorem Taxable Valuation as of June 30, 2005 = \$ 730,737,196 (valuation for fiscal year 2006).

(2) Kinder Morgan Energy (KME), an electric power generation company, has the largest taxable value of \$ 113,687,500, or 15.56% of the 2005 ad valorem taxable value. KME is located in a Renaissance Zone and is not subject to millage levies with the exception of those levied for bonded indebtedness and those obligations pledging the unlimited taxing power of the local unit. The City anticipates the KME taxable value to be subject to all millage levies effective July 1, 2012.

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees (3)</u>
W. A. Foote Health System	Hospital	3,000
Consumers Energy	Electrical and Gas Utility	* 2,100
City and County Government	Local Government	* 860
Jackson Public Schools	Education	800
Eaton - Aeroquip Corporation	Aerospace, Industrial and Automobile	597
TRW, Inc.	Automobile Component Sales (Brakes)	* 368
Wolverine Technologies, Inc.	Plastic Extrusion (Home Siding, etc...)	312
Great Lakes Home Health & Hospice	Home Health/Hospice	310
Alro Steel	Steel Service Center	300
Melling Automotive Products	Automobile Component Sales (Oil Pumps)	* 276

(3) As of June, 2005. Source: Enterprise Group

\* Total employees located with the County

**City of Jackson, Michigan**  
**Special Assessment Billings and Collections**  
**Last Ten Fiscal Years**

Table 7

<u>Fiscal Year</u>	<u>Billings</u>	<u>Collections</u>	<u>Transfers</u>	<u>(1) Receivable</u>
1996	\$ 596,705	\$ 518,089	\$ -	\$ 1,984,947
1997	7,999	518,471	-	1,474,475
1998	287,704	435,692	-	1,326,487
1999	583,122	648,179	-	1,261,430
2000	125,219	467,692	-	918,957
2001	501,432	543,257	-	877,132
2002	458,359	526,075	-	809,416
2003	514,746	414,569	-	909,593
2004	389,265	530,195	-	768,663
2005	449,126	369,467	-	848,322

(1) Excludes Water Fund (enterprise fund) balances for delinquent water and sewer utility billings.

**City of Jackson, Michigan**  
**Schedule of Legal Debt Margin**  
**June 30, 2005**

Table 8

<b>State Equalized Valuation at December 31, 2004 (for taxes levied by the City on July 1, 2005)</b>		<b>\$ 925,514,550</b>
<hr/>		
<b>Debt Limit (1)</b>		<b>\$ 92,551,455</b>
<b>Total debt:</b>		
Bonded debt	\$ 52,988,577	
Other long-term debt	<u>2,682,000</u>	
		55,670,577
<b>Less Debt Excluded from Charter Limit:</b>		
<b>Michigan Transportation Debt:</b>		
1998 Michigan Transportation Fund Bonds	(355,000)	
2003 Michigan Transportation Fund Bonds	(1,640,000)	
<b>Michigan Economic Development Corporation:</b>		
Michigan Urban Land Assembly Loan	(772,000)	
<b>Housing and Urban Development:</b>		
Section 108 Loan	(1,025,000)	
<b>Revenue Bonds:</b>		
1996 Sanitary Sewage Disposal System Revenue Bonds	(425,000)	
2000 Sanitary Sewage Disposal System Revenue Bonds	(875,000)	
1999 Water Revenue Bonds	<u>(2,660,000)</u>	
		(7,752,000)
<b>Less Amount in Debt Service Funds (Non Excluded Debt)</b>		<u>(37,445)</u>
		<u>47,881,132</u>
<b>Legal Debt Margin</b>		<b>\$ 44,670,323</b>

(1) Ten percent (10%) of state equalized valuation.

**City of Jackson, Michigan**  
**Computation of Direct and Overlapping Bonded Debt**  
**General Obligation Bonds**  
**June 30, 2005**

Table 9

<b>City Direct Debt:</b>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
<b>Unlimited Tax General Obligation Debt:</b>			
City Hall Bonds	\$ 9,990,000	\$ 9,990,000	\$ -
<b>Limited Tax General Obligation Debt:</b>			
Downtown Development Authority Bonds	17,528,577	17,528,577	-
Brownfield Redevelopment Authority Bonds	18,500,000	18,500,000	-
Building Authority Bonds	1,015,000	-	1,015,000
Michigan Transportation Fund Bonds	1,995,000	1,995,000	-
Installment Purchase Contracts	885,000	-	885,000
<b>Revenue Bonds:</b>			
Water Revenue Bonds	2,660,000	2,660,000	-
Sewer Revenue Bonds	1,300,000	1,300,000	-
<b>Other:</b>			
Michigan Urban Land Assembly Loan	772,000	772,000	-
Section 108 Loan (HUD)	1,025,000	1,025,000	-
	<u>\$ 55,670,577</u>	<u>\$ 53,770,577</u>	<u>\$ 1,900,000</u>

<b>City Overlapping Debt: (1)</b>	<u>Gross</u>	<u>City Share</u>	
Jackson School District	\$ 42,305,000	57.06%	\$ 24,139,233
East Jackson School District	7,225,000	0.13%	9,393
Northwest School District	1,960,000	0.21%	4,116
Michigan Center School District	-	2.49%	-
Total - School Districts			<u>24,152,742</u>
Jackson County at Large	28,800,000	18.86%	5,431,680
Jackson Community College	6,535,000	18.86%	1,232,501
Jackson County Intermediate School District	-	18.56%	-
			<u>30,816,923</u>

**Net City Direct & Overlapping Debt:** \$ 32,716,923

**Per Capita Debt:** (36,218 population):

Net Direct Debt	\$ 52.46
Net Overlapping Debt	850.87
Total Net Debt	<u>\$ 903.33</u>

**Percent of Taxable Valuation:** (\$ 730,737,196 Taxable Valuation at 6/30/05):

Net Direct Debt	0.26%
Net Overlapping Debt	4.22%
Total Net Debt	<u>4.48%</u>

(1) Source: Municipal Advisory Council of Michigan

City of Jackson, Michigan

Table 10

**Ratio of Net General Obligation Bonded Debt  
To Assessed/Taxable Value and Net General Obligation Bonded Debt Per Capita  
Last Ten Fiscal Years**

Fiscal Year	Population	Assessed/ Taxable Value (1)	Gross Bonded Debt (2)	Less Debt Service Fund (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed/ Taxable Value	Net Bonded Debt per Capita
* 1996	37,425	\$ 387,450,515	\$ 450,000	\$ 6,402	\$ 443,598	0.11%	\$ 12
* 1997	37,425	401,077,381	295,000	8,212	286,788	0.07%	8
* 1998	37,425	412,216,163	145,000	150,355	(5,355)	0.00%	-
* 1999	37,425	428,519,728	-	-	-	0.00%	-
* 2000	37,425	443,842,486	-	-	-	0.00%	-
2001	36,218	461,174,216	-	-	-	0.00%	-
* 2002	36,218	487,494,917	-	-	-	0.00%	-
* 2003	36,218	551,783,855	-	-	-	0.00%	-
* 2004	36,218	690,498,107	10,000,000	102,809	9,897,191	1.43%	273
* 2005	36,218	714,612,127	9,990,000	18,509	9,971,491	1.40%	275

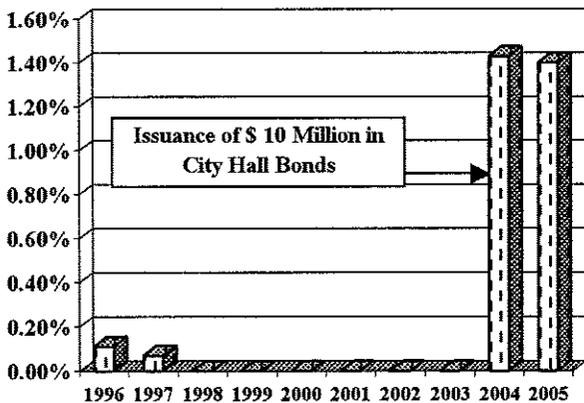
1) Fiscal year of assessed/taxable value - 2005 represents taxable value at July 1, 2004.

2) Amount includes only general obligation bonded debt supported through general property taxes.

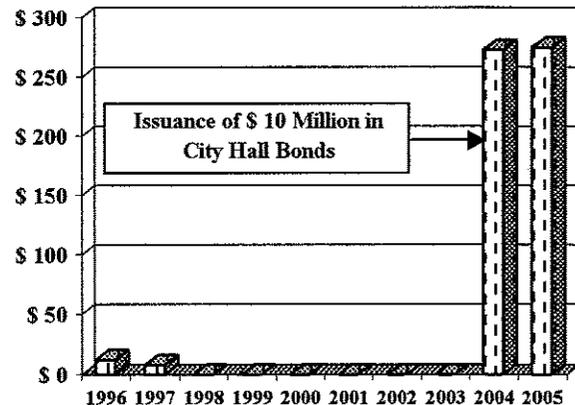
3) Amount available for repayment of Gross Bonded Debt (2) in debt service funds.

\* Population for these years is not available; used earliest preceding year's actual.

**Net G. O. Bonded Debt  
to Assessed/Taxable Value**



**Net Bonded Debt  
Per Capita**



**City of Jackson, Michigan**  
**Ratio of Annual Debt Service Expenditures**  
**For General Obligation Bonded Debt (1)**  
**to Total Governmental Fund Expenditures**  
**Last Ten Fiscal Years**

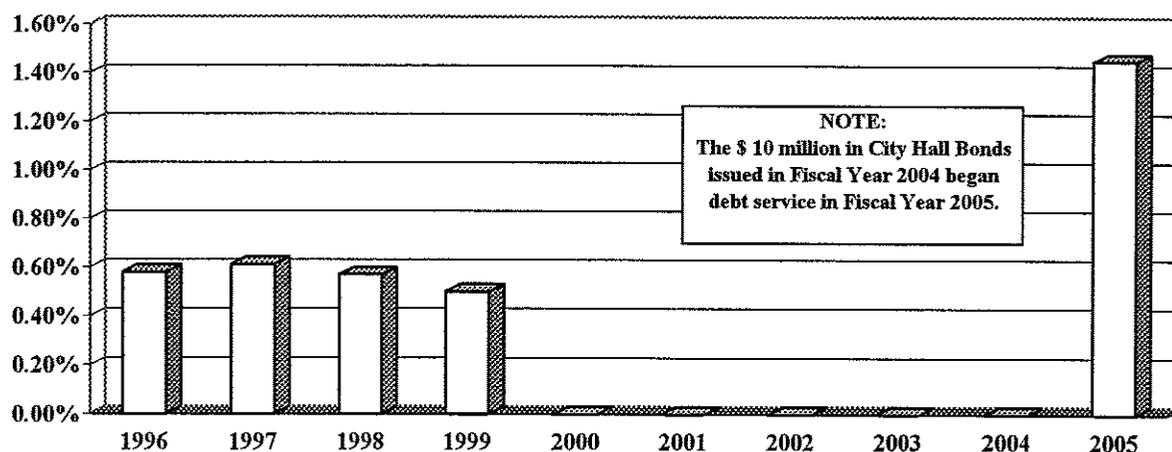
Table 11

Fiscal Year	Principal	Interest, Fiscal Charges and Other	Total Debt Service	(2) Total Governmental Fund Expenditures	Ratio of Debt Service To Total Governmental Fund Expenditures
1996	\$ 130,000	\$ 36,420	\$ 166,420	\$ 28,823,893	0.58%
1997	155,000	28,093	183,093	30,135,098	0.61%
1998	150,000	18,564	168,564	29,354,994	0.57%
1999	145,000	9,595	154,595	31,134,909	0.50%
2000	0	0	0	31,271,783	0.00%
2001	0	0	0	47,144,988	0.00%
2002	0	0	0	31,541,163	0.00%
2003	0	0	0	49,816,930	0.00%
2004	0	0	0	36,625,780	0.00%
2005	10,000	617,956	627,956	43,291,168	1.45%

1) Includes only general obligation debt supported through general property taxes.

2) Includes general, special revenue, debt service and capital project funds.

**Ratio of Debt Service**  
**to Total Government Fund Expenditures**  
**Last Ten Fiscal Years**



**City of Jackson, Michigan**  
**Revenue Bond Coverage**  
**Sewer Fund**  
**Last Ten Fiscal Years**

Table 12

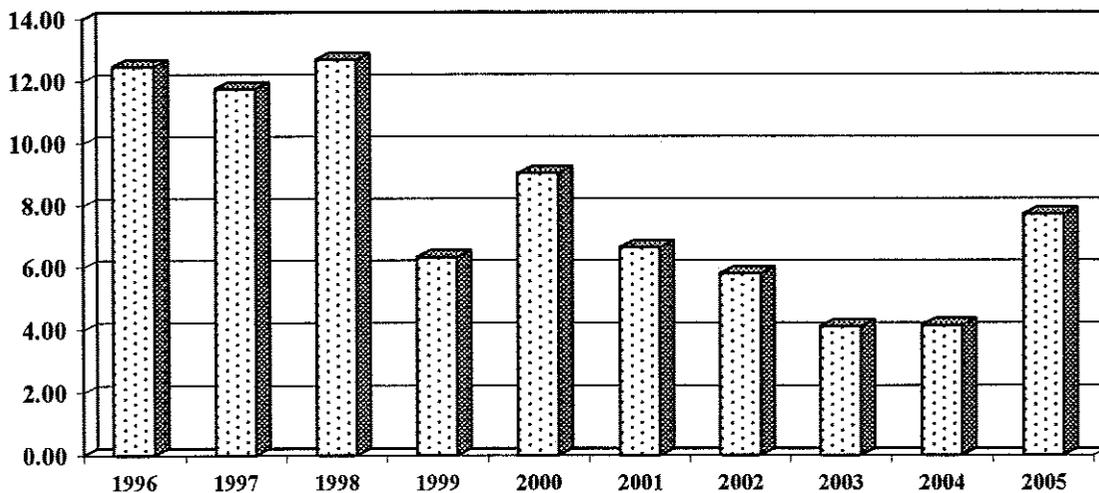
Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest and Fiscal Charges	Total	
1996	\$ 3,671,548	\$ 2,497,770	\$ 1,173,778	\$ 50,000	\$ 44,100	\$ 94,100	12.47
1997	4,257,543	2,597,810	1,659,733	75,000	66,245	141,245	11.75
1998	5,415,049	2,815,498	2,599,551	120,000	84,650	204,650	12.70
1999	4,460,571	3,012,590	1,447,981	150,000	78,625	228,625	6.33
2000	4,533,600	2,526,972	2,006,628	150,000	72,050	222,050	9.04
2001	4,737,832	2,814,061	1,923,771	200,000	89,853	289,853	6.64
2002	4,957,422	3,072,897	1,884,525	220,000	104,537	324,537	5.81
2003	4,799,168	3,389,795	1,409,373	250,000	93,256	343,256	4.11
2004	4,594,024	3,121,609	1,472,415	275,000	80,131	355,131	4.15
2005	5,037,590	3,344,441	1,693,149	150,000	69,500	219,500	7.71

(1) Total revenues including interest.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal, interest and fiscal charges of revenue bonds only. It does not include general obligation debt reported in debt service funds to which operating transfers are made or debt defeasance transactions.

**Revenue Bond Coverage**  
**Last Ten Fiscal Years**



**City of Jackson, Michigan  
Revenue Bond Coverage  
Water Fund  
Last Ten Fiscal Years**

Table 13

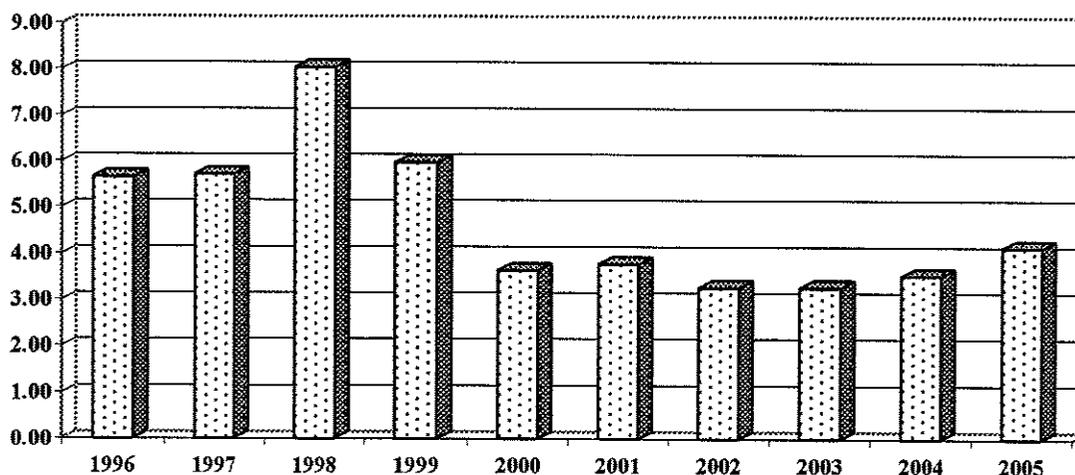
Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest and Fiscal Charges	Total	
1996	\$ 4,819,864	\$ 3,236,361	\$ 1,583,503	\$ 150,000	\$ 130,274	\$ 280,274	5.65
1997	4,975,763	3,416,228	1,559,535	150,000	122,938	272,938	5.71
1998	5,784,694	3,694,653	2,090,041	150,000	110,062	260,062	8.04
1999	5,607,614	3,501,750	2,105,864	175,000	177,650	352,650	5.97
2000	5,965,031	3,950,553	2,014,478	325,000	228,789	553,789	3.64
2001	5,937,137	3,793,227	2,143,910	375,000	194,055	569,055	3.77
2002	5,998,507	4,196,649	1,801,858	370,000	180,392	550,392	3.27
2003	6,242,449	4,487,148	1,755,301	370,000	166,403	536,403	3.27
2004	6,230,681	4,288,334	1,942,347	400,000	152,343	552,343	3.52
2005	6,517,972	4,212,878	2,305,094	420,000	137,343	557,343	4.14

(1) Total revenues including interest.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal, interest and fiscal charges of revenue bonds only. It does not include general obligation debt reported in debt service funds to which operating transfers are made or debt defeasance transactions.

**Revenue Bond Coverage  
Last Ten Fiscal Years**



**City of Jackson, Michigan  
Employment Statistics  
Last Ten Fiscal Years**

Table 14

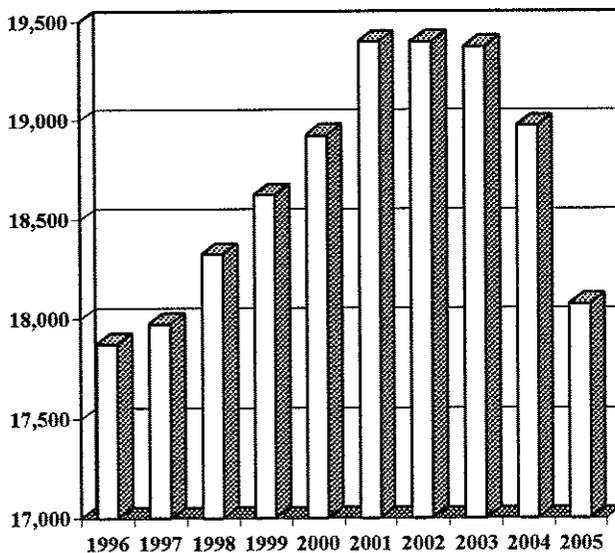
Fiscal Year	(1) Population	(2) Labor Force	(2) Employment	(2) Unemployment	(2) Unemployment Rate
1996	37,425	17,875	16,400	1,450	8.1 %
1997	37,425	17,975	16,675	1,300	7.2 %
1998	37,425	18,325	17,350	1,000	5.5 %
1999	37,425	18,625	17,600	1,025	5.5 %
2000	36,218	18,925	17,975	950	5.0 %
2001	36,218	19,400	17,850	1,550	8.0 %
2002	36,218	19,400	17,550	1,825	9.4 %
2003	36,218	19,375	17,075	2,300	11.9 %
2004	36,218	18,975	17,100	1,850	9.7 %
2005	36,218	18,076	16,323	1,753	9.7 %

All labor force statistics are as of June of the fiscal year shown, i.e. fiscal year 2005 represents June, 2005.

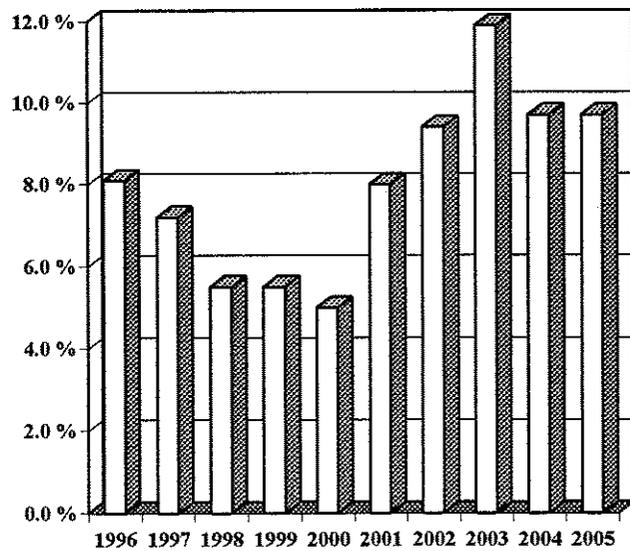
(1) Population shown is based on the most recent preceding year's actual.

(2) Source: Michigan Department of Labor and Economic Growth, Bureau of Labor Market Information & Strategic Initiatives

**Labor Force**



**Unemployment Rate**



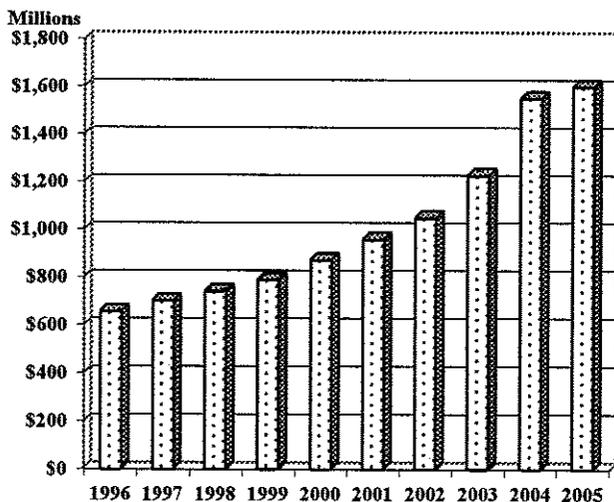
**City of Jackson, Michigan**  
**Property Value, Construction and Bank Deposits**  
**Last Ten Fiscal Years**

Table 15

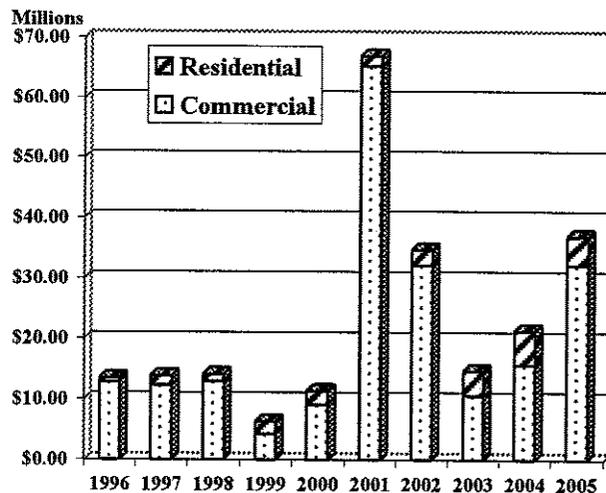
Fiscal Year (1)	Real Property Value (2)			Total	(3)	(3)	(4)
	Commercial	Residential	Industrial		Commercial Construction Value	Residential Construction Value	FDIC Bank Deposits
1996	\$ 171,132,260	\$ 426,823,000	\$ 57,669,700	\$ 655,624,960	\$ 12,877,014	\$ 570,300	\$ 958,161,000
1997	176,774,960	465,805,700	58,658,400	701,239,060	12,281,125	1,588,471	1,018,890,000
1998	194,377,600	486,555,200	60,253,540	741,186,340	12,958,775	1,152,400	1,020,375,000
1999	203,167,900	526,180,700	60,907,800	790,256,400	4,287,000	1,972,000	1,035,424,000
2000	225,127,400	581,086,600	66,188,600	872,402,600	9,132,550	2,267,000	1,068,981,000
2001	256,600,900	628,608,100	73,712,100	958,921,100	65,238,439	1,746,285	1,055,223,000
2002	315,855,800	654,605,400	79,487,000	1,049,948,200	32,143,450	2,597,525	1,733,598,000
2003	343,127,500	717,994,200	167,342,500	1,228,464,200	10,580,129	4,088,552	1,132,821,000
2004	431,047,200	779,403,700	341,800,400	1,552,251,300	15,706,115	5,568,794	1,170,158,000
2005	439,568,300	821,731,700	339,821,700	1,601,121,700	32,188,170	4,740,371	1,228,432,000

- (1) Fiscal year of levy; 2005 represents July 1, 2004 levy; 2004 represents July 1, 2003 levy.
- (2) From City Assessor - Industrial included in order to reflect total, which is estimated actual value from Table 4.
- (3) From City Building Inspection Department records.
- (4) Source - FDIC Institution Office Deposits. All data shown is as of June 30th that year. Amounts are FDIC deposits only (excludes credit unions, etc...).

**Real Property Values**  
**Last Ten & Current Fiscal Years**



**Commercial & Residential Construction Values**  
**Last Ten Fiscal Years**



**City of Jackson, Michigan**  
**Miscellaneous Statistics**  
**June 30, 2005**

Table 16

---

Date Founded	1829
Date of Incorporation	1857
Form of Government	Council / Manager
Number of employees (except police and fire)	175
Area in square miles	11
<b>City of Jackson facilities and services:</b>	
Miles of streets	165
Number of street lights	2,365
Number of traffic signals	82
<b>Culture and Recreation:</b>	
Community centers	2
Parks	23
Park acreage	636
Inline Skate Rink / Skate Park	1 of each
Golf courses (full size and mini-golf)	1 of each
Swimming pools	2
Tennis courts	14
<b>Fire Protection:</b>	
Number of stations	3
Number of fire personnel and officers	45
Number of calls answered	4,072
Number of inspections conducted	594
<b>Police Protection:</b>	
Number of stations	1
Number of police personnel and officers	91
Number of patrol units	41
<b>Number of law violations:</b>	
Physical arrests	3,628
Traffic violations	14,165
Parking violations	4,741
<b>Sewer System:</b>	
Miles of sanitary sewers	160
Miles of storm sewers	108
Number of treatment plants	1
Number of service connections	12,802
Daily average treatment in gallons	13.2 million
Maximum daily capacity of treatment plant in gallons	19 million
Townships Services via Bulk Metering	5
<b>Water System:</b>	
Miles of water mains	232
Number of service connections	15,327
Number of fire hydrants	2,030
Daily average consumption in gallons	5.41 million
Maximum daily capacity of plant in gallons	24 million
<b>Facilities and services not included in the reporting entity:</b>	
<b>Education:</b>	
Number of elementary schools	10
Number of elementary school instructors	148
Number of secondary schools	4
Number of secondary school instructors	302
Number of community colleges	1
<b>Hospitals:</b>	
Number of hospitals	1
Number of patient beds	411

**City of Jackson, Michigan**  
**State Equalized Valuation/Taxable Valuation**  
**Fiscal Years Ended June 30, 2002 Through 2006**

Table 17

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Fiscal Year Ended June 30	State Equalized Valuation (1)	Ad Valorem Taxable Value	Total Taxable Valuation (1)
2000	2001	2002	\$ 629,161,951	\$ 487,494,917	\$ 503,187,968
2001	2002	2003	715,901,025	551,783,855	568,566,280
2002	2003	2004	880,648,825	690,498,107	706,453,182
2003	2004	2005	903,223,700	714,612,127	728,145,677
2004	2005	2006	925,514,550	730,737,196	756,918,096

Per Capita 2005 Ad Valorem Taxable Valuation is \$ 20,176 and Per Capita 2005 Total Taxable Valuation is \$ 20,899 based on the City's 2000 Census of 36,218.

(1) Includes Tax Abatements under Act 198 and Renaissance Zones.

**Breakdown of Taxable Value by Use and Class**

	Year of State Equalization and Tax Levy				
	2001	2002	2003	2004	2005
<b>Use:</b>					
Commercial	27.81%	26.67%	27.30%	27.18%	27.43%
Industrial	21.85%	25.74%	31.50%	30.72%	29.10%
Residential	50.34%	47.59%	41.20%	42.10%	43.47%
	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Class:</b>					
Real	79.29%	82.33%	87.20%	87.56%	88.60%
Personal	20.71%	17.67%	12.80%	12.44%	11.40%
	100.00%	100.00%	100.00%	100.00%	100.00%

**City of Jackson, Michigan**  
**Water Supply System**  
**Supplemental Disclosure Information**  
**Last Five Fiscal Years**

Table 18

	Fiscal Year Ended June 30				
	2001	2002	2003	2004	2005
<b><u>Water Pumped vs. Water Sold: (in million gallons)</u></b>					
Pumped	2,519.4	2,380.2	2,521.7	2,389.0	2,324.3
Sold	2,091.1	2,045.9	2,203.7	2,018.2	1,973.6
Sold as a % of Pumped	83.00%	85.95%	87.39%	84.48%	84.91%
<b><u>Number of Customers:</u></b>					
Residential	12,343	12,502	12,573	12,545	12,521
Commercial	1,762	1,766	1,771	1,814	1,814
Industrial	205	183	202	191	189
Total	14,310	14,451	14,546	14,550	14,524
<b><u>Percent of Water Consumption by Category:</u></b>					
Residential	34.89%	39.14%	37.23%	39.76%	36.66%
Commercial	36.94%	39.46%	38.15%	40.54%	42.33%
Industrial	28.17%	21.40%	24.62%	19.70%	21.01%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
<b><u>History of Water Rates</u></b> (average consumption - 22 HCF / average 5/8 inch meter)					
Metered per quarter	\$ 51.77	\$ 53.32	\$ 54.90	\$ 56.37	\$ 57.85
% Change (in average consumption)	2.92%	2.99%	2.96%	2.68%	2.63%
<b><u>Water Supply System Annual Revenues:</u></b>					
Metered revenue	\$ 5,354,301	\$ 5,494,186	\$ 5,806,234	\$ 5,900,474	\$ 6,018,706
% Increase (Decrease)	0.52%	2.61%	5.68%	1.62%	2.00%
<b><u>Water Supply System Revenues By User Class:</u></b>					
Residential	\$ 2,564,584	\$ 2,752,020	\$ 2,813,808	\$ 2,993,171	\$ 2,967,222
Commercial	1,979,516	2,078,886	2,202,976	2,224,591	2,365,953
Industrial	810,201	674,502	789,450	682,712	685,531
Sewer - Billing & Collection Charges	167,653	167,709	180,828	197,516	196,936
Total	\$ 5,521,954	\$ 5,673,117	\$ 5,987,062	\$ 6,097,990	\$ 6,215,642
<b><u>Water Supply Revenues By User Class as a % of Total Revenues:</u></b>					
Residential	46.44%	48.51%	47.00%	49.08%	47.74%
Commercial	35.85%	36.64%	36.80%	36.48%	38.06%
Industrial	14.67%	11.89%	13.19%	11.20%	11.03%
Sewer - Billing & Collection Charges	3.04%	2.96%	3.01%	3.24%	3.17%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

**City of Jackson, Michigan**  
**Water Supply System**  
**Supplemental Disclosure Information**  
**Ten Largest Water Customers - By Usage**  
**For the Fiscal Year Ended June 30, 2005**

Table 18a

<u>Customer</u>	<u>(1)</u> <u>Usage</u>	<u>(2)</u> <u>% of</u> <u>Total</u>	<u>Revenue</u>	<u>(3)</u> <u>% of</u> <u>Total</u>
Wolverine Technologies	81,980	3.11%	\$ 81,340	1.31%
Foote Hospital, Inc.	77,361	2.93%	73,408	1.18%
Commonwealth Commerce Center	64,906	2.46%	66,192	1.06%
** Eaton Aeroquip Corp.	57,072	2.16%	64,850	1.04%
Kinder Morgan Energy	48,100	1.82%	68,529	1.10%
Industrial Steel Treating	47,155	1.79%	49,226	0.79%
Elm Plating	45,622	1.73%	51,953	0.84%
* Kaneka Texas Corp.	45,300	1.72%	51,424	0.83%
** Consumers Energy	32,419	1.23%	50,978	0.82%
Jackson Tumble Finish	27,260	1.03%	27,936	0.45%

(1) Unit = Hundred Cubic Feet (HCF)

(2) Based on June 30, 2005 total water consumption of 2,638,504 HCF.

(3) Based on June 30, 2005 Water Supply System Revenues By User Class (Table 18) of \$ 6,215,642

\* Located outside of City limits.

\*\* Located both inside and outside of City limits

**City of Jackson, Michigan**  
**Supplemental Disclosure Information**  
**Industrial Facilities Tax Roll**

Table 19

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<b>Year of Transfer To Ad Valorem Tax Roll</b>	<b>(1) I.F.T. S.E.V. Amount</b>
2006	\$ 381,400
2007	1,152,650
2008	3,236,300
2009	1,378,450
2010	5,132,000
2011	1,269,550
2012	3,183,750
2013	3,459,300
2014	2,058,400
2015	124,400
2016	1,304,500
2017	<u>3,500,200</u>
	<u><u>\$26,180,900</u></u>

(1) Represents current assessed value of abated property at time of assessment. Personal property will be subject to depreciation in future years.

**City of Jackson, Michigan**  
**Supplemental Disclosure Information**  
**Tax Increment Revenues, Debt Service and Debt Service Coverage**

Table 20

<b><u>Downtown Development Authority Bonds</u></b>						
<b>Fiscal Year</b>	<b>Tax Increment Revenues</b>	<b>Debt Service</b>	<b>(1) Capitalized Interest</b>	<b>(2) DDA Budgetary Commitments</b>	<b>Excess Tax Increment Revenues</b>	<b>Debt Service Coverage</b>
2002	\$ 139,394	\$ 562,866	\$ 562,866	\$ 26,922	\$ 112,472	-
2003	250,603	477,905	477,905	27,595	223,008	-
2004	847,306	672,905	-	28,285	146,116	1.26
2005	869,006	746,790	-	28,992	93,224	1.16

(1) Capitalized interest was used to pay debt service in both fiscal year 2002 and 2003.

(2) DDA budgetary commitments were existing prior to the sale of the Bonds and are subordinate to the Bonds.

<b><u>Brownfield Redevelopment Authority Bonds</u></b>					
<b>Fiscal Year</b>	<b>Tax Increment Revenues (2)</b>	<b>Debt Service</b>	<b>(3) Capitalized Interest</b>	<b>Excess Tax Increment Revenues</b>	<b>Debt Service Coverage</b>
2002	\$ -	\$ -	\$ -	\$ -	-
2003	119,689	1,087,889	1,087,889	119,689	-
2004	845,825	955,220	955,220	845,825	-
2005	1,063,299	955,721	79,602	107,578	-

(1) The Bonds were sold in March, 2002; there was no debt service in fiscal year 2002.

(2) Includes only those amounts captured for the Bonds.

(3) Capitalized interest was used to pay debt service in fiscal years 2003, 2004 and 2005 (partial).

**City of Jackson, Michigan**  
**Supplemental Disclosure Information**  
**Gas & Weight Tax Revenues, Maximum Annual Debt Service and**  
**Historical Debt Service Coverage**

Table 21

<u>Fiscal Year</u>	<u>Gas &amp; Weight Tax Revenues</u>	<u>(1) Maximum Annual Debt Service</u>	<u>Historical Debt Service Coverage</u>
1998	\$ 2,300,293	\$ 350,721	6.56
1999	2,409,138	350,721	6.87
2000	2,527,133	350,721	7.21
2001	2,515,255	350,721	7.17
2002	2,494,306	350,721	7.11
2003	2,509,073	350,721	7.15
2004	2,561,830	350,721	7.30
2005	2,604,990	284,480	9.16

(1) Includes maximum debt service on all debt payable from Major and Local Street Funds.

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**INFORMATION ON SINGLE AUDIT**  
**(Compliance Section)**

**City of Jackson, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant/ Agreement/ Account Number	Federal CFDA Number	Accrued (Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2005
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>						
Passed-Through Region 2 Planning Consortium						
Jackson County Cooperative Alcohol Enforcement		20.601	\$ 3,481	\$ 4,912	\$ 5,893	\$ 2,500
Jackson County Seat Belt Enforcement		20.602	-	1,604	1,604	-
Total U.S. Department of Transportation			3,481	6,516	7,497	2,500
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>						
Passed-Through Michigan Department of Career Development and Hillsdale, Michigan Intermediate School District:						
Temporary Assistance for Needy Families-Work First grant		93.558	1,287	-	1,287	-
Total Department Health and Human Services			1,287	-	1,287	-
<b>DEPARTMENT OF JUSTICE:</b>						
Direct Program:						
Local Law Enforcement Block Grant		16.592	(63,030)	63,030	33,079	(33,079)
Bulletproof Vest Partnership		16.607	10,933	1,712	12,645	-
Passed-Through Michigan Family Independence Agency:						
Administered by United Way of Jackson County:						
Juvenile Justice and Delinquency Prevention		16.540	-	46,966	46,966	-
Passed-Through Michigan Community Health Department:						
Byrne Formula grant-Crime Prevention Strategy Partnership Park		16.579	-	11,699	8,549	3,150
Byrne Formula grant-LAWNET Enhancement Project		16.580	10,976	55,404	57,873	8,507
Total Department of Justice			(41,121)	178,811	159,112	(21,422)

**City of Jackson, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant/ Agreement/ Account Number	Federal CFDA Number	Accrued (Deferred)		Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2005
			Revenue July 1, 2004	Revenue			
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>							
Direct Program:							
Brownfield Assessment		66.818	\$ -	\$ 4,423	\$ -	\$ -	\$ 4,423
Total Environmental Protection Agency							
				4,423			4,423
<b>U.S. DEPARTMENT OF HUD:</b>							
Direct Programs:							
Major:							
Community Development Block Grant-Entitlement	B01MC260021	14.218	-	14,053	14,053	-	-
Community Development Block Grant-Entitlement	B02MC260021	14.218	153,397	60,739	214,136	-	-
Community Development Block Grant-Entitlement	B03MC260021	14.218	-	1,152,502	1,152,502	-	-
Community Development Block Grant-Entitlement	B04MC260021	14.218	-	132,256	223,801	(91,545)	(91,545)
HOME	M03MC260214	14.239	(32,145)	32,145	-	-	-
HOME	M04MC260214	14.239	-	319,697	380,274	(60,577)	(60,577)
Total U.S. Department of HUD			121,252	1,711,392	1,984,766	(152,122)	(152,122)
<b>TOTAL FEDERAL ASSISTANCE-</b>			<b>\$ 84,899</b>	<b>\$ 1,901,142</b>	<b>\$ 2,152,662</b>	<b>\$ (166,621)</b>	<b>(166,621)</b>

**Reconciliation to Financial Statements:**  
Current year expenditures-SEFA, per above \$ 1,901,142  
Federal Highway Funds Administered by Michigan Department of Transportation 2,624,702

**Federal Revenue per Financial Statements**

**\$ 4,525,844**

**City of Jackson, Michigan**

**Note to Schedule Of Expenditures of Federal Awards**

**For the Year Ended June 30, 2005**

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**Note 1      Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson, Michigan, 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 States, 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 basic financial statements.

**Note 2      Outstanding loans**

The City has a HUD Section 108 loan with an outstanding balance of \$1,025,000 at June 30, 2005.

**Note 3      Subrecipients**

The City passed through approximately \$236,000 in federal funds to subrecipient agencies.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 31, 2005

Honorable Mayor and  
Members of the City Council  
City of Jackson, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the of the **CITY OF JACKSON**, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Jackson' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and other Matters**

As part of obtaining reasonable assurance about whether the City of Jackson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lehmann Johnson".



# REHMANN ROBSON

*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 31, 2005

Honorable Mayor and  
Members of the City Council  
City of Jackson, Michigan

### **Compliance**

We have audited the compliance of the **CITY OF JACKSON** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Jackson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Jackson's management. Our responsibility is to express an opinion on the City of Jackson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jackson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Jackson's compliance with those requirements.

As described in item 2005-1 in the accompanying schedule of findings and questioned costs, the City of Jackson did not comply with requirements regarding reporting that are applicable to its Community Development Block Grant Entitlement Program. Compliance with such requirements is necessary, in our opinion, for the City of Jackson to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

### **Internal Control Over Compliance**

The management of the City of Jackson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jackson' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions is described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the matter referred to above, we did not consider finding 2005-1 to be a material weakness.

This report is intended solely for the information and use of the audit committee, management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lehmann Johnson".

# City of Jackson

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes  X  no

Reportable condition(s) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes  X  no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes  X  no

Reportable condition(s) identified  
not considered to be material weaknesses?

X  yes \_\_\_\_\_ none reported

Type of auditors' report issued on compliance  
for major programs:

Qualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

X  yes \_\_\_\_\_ no

# City of Jackson

## Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2005

### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	Home Investment Partnership Program

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  X  yes   no

### SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2005-1 Community Development Block Grant (CDBG) – Accounting and Reporting

In connection with our testing of the CDBG program, we examined the financial status reports filed throughout the year and attempted to reconcile them with the City's internal financial accounting system. The Community Development Department on its CDBG Financial Summary for Program year 2004 (Period 7-1-04 to 6-30-05) reported a cumulative unexpended balance for all grant entitlement years of \$2,891,748. The Department is unable to reconcile this amount with underlying detail records, and the amount differs by approximately \$908,000 from the City Finance Department system records. Thus, the Community Development Department has no mechanism in place to reconcile certain amounts in its financial status reports to the financial accounting system.

The Community Development Department should reconcile all amounts on its financial status report filings with the City's internal accounting system maintained by the Finance Department. Also, the unexpended balance difference as noted above should be reconciled and adjustments made, accordingly.

Management's response:

The Community Development Department will implement procedures to provide a system for ensuring that all amounts reported on financial status reports agree to underlying financial accounting system records.

### SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

\* \* \* \* \*