



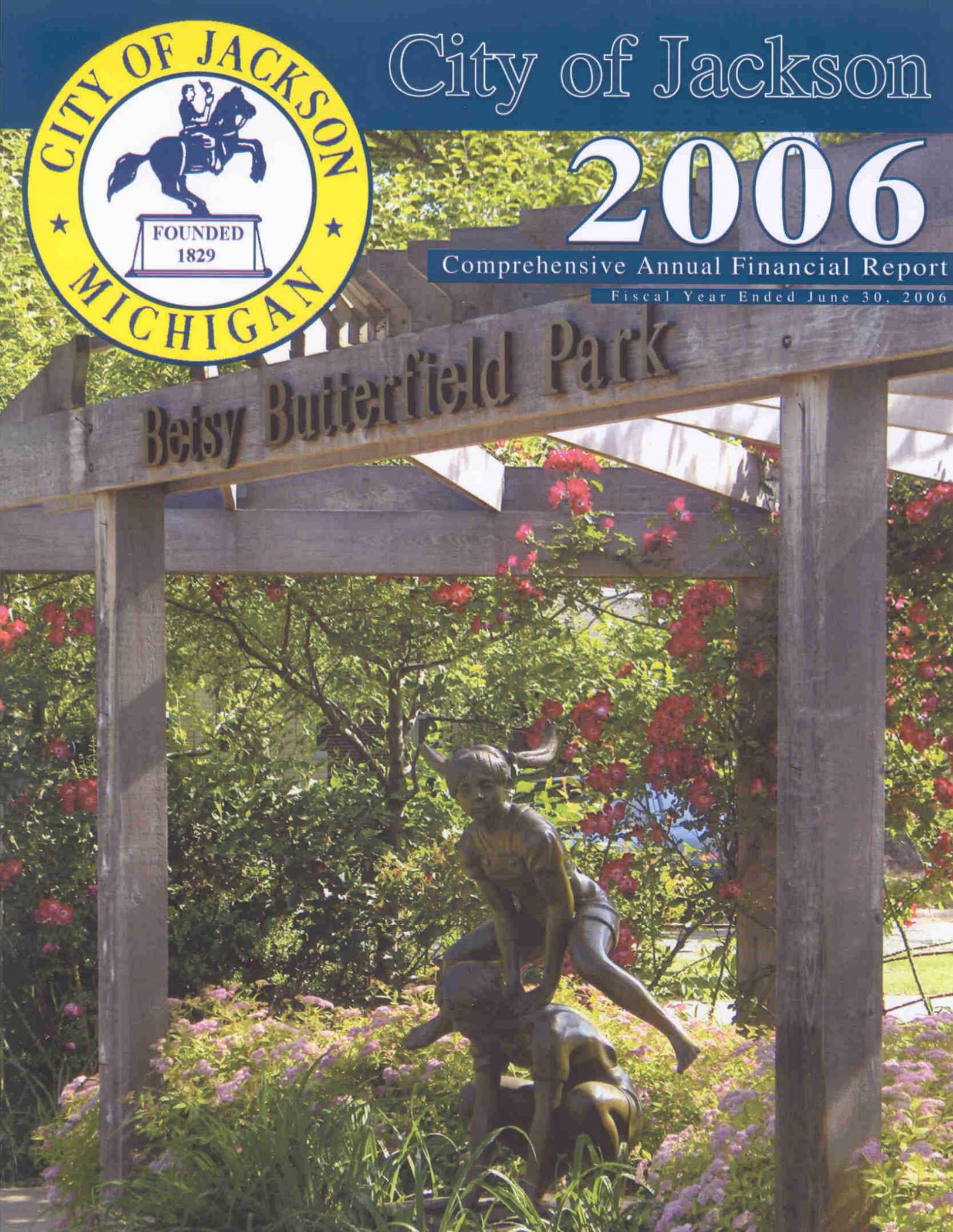
# City of Jackson

# 2006

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

Betsy Butterfield Park



# **CITY OF JACKSON, MICHIGAN**

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## **Comprehensive Annual Financial Report**

**For The Fiscal Year Ended June 30, 2006**

**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, 2006**

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# **INTRODUCTORY SECTION**



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

October 17, 2006

**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, 2006.

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, 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, 2006 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, 2006 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 continued to have successes throughout 2005 and through October 2006. Overall successes show that the city created 150 new jobs, retained 381 jobs and made \$13.8 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 \$741 million, while market value has had similar gains, increasing 9.6% 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. In addition, 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. The Armory Arts Project groundbreaking recently took place. Phase I of this \$70 million project will include a \$12.3 million conversion of three red-brick buildings into 62 apartments for artists and other creative people over the next few years.

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 continue to 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 funds' 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, 2005, the date of the latest actuary reports, in funding 98.1 percent, 55.3 percent and 54.0 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 5 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 115 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, 2005. This was the fifteenth 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, 2005

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.



*Carla E. Fudge*

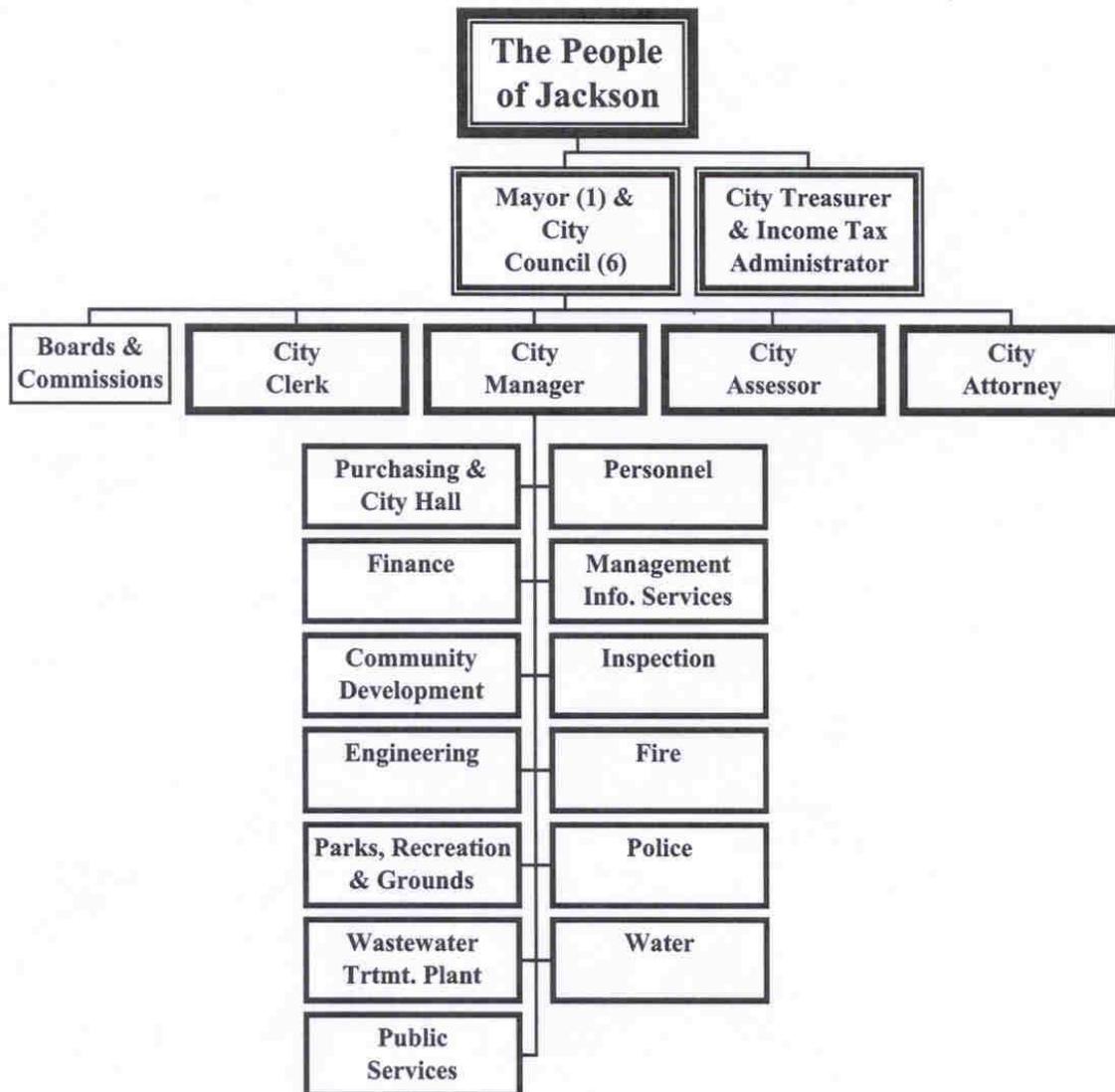
President

*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

# **FINANCIAL SECTION**



## **INDEPENDENT AUDITORS' REPORT**

October 17, 2006

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, 2006, 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, 2006, 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 17, 2006, 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 black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **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, 2006. 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 \$104,413,179 (*net assets*). Of this amount, \$23,083,435 (*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 \$1,710,973.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,277,113, a decrease of \$1,083,318 in comparison with the prior year. Approximately 65% of this total amount, or \$7,378,500, 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 \$2,596,377, or 11.2 percent of total general fund expenditures.
- The City's total bonded debt decreased by \$1,135,000 during the current fiscal year; No new debt was issued and \$1,135,000 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-six 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, Community Development Block Grant and Special Assessment Capital Projects funds, each of which are considered to be major funds. Data from the other thirty-three 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 18-24 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 nonmajor 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 and prescription drug self-insurance programs, the motor pool and garage operations, public works and engineering administration and for the purchase of certain equipment. 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 nonmajor 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, water and parking deck operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 25-27 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 28-29 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 30-57 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 58-60 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 61-101 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 \$104,413,179 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (71 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 19,526,708	\$ 22,751,255	\$ 17,778,162	\$ 16,891,049	\$ 37,304,870	\$ 39,642,304
Capital assets	70,680,118	69,659,929	57,230,973	57,164,671	127,911,091	126,824,600
Total assets	<u>90,206,826</u>	<u>92,411,184</u>	<u>75,009,135</u>	<u>74,055,720</u>	<u>165,215,961</u>	<u>166,466,904</u>
Long-term liabilities outstanding	52,398,954	53,336,016	4,319,504	4,708,082	56,718,458	58,044,098
Other liabilities	3,371,264	5,139,938	713,060	580,662	4,084,324	5,720,600
Total liabilities	<u>55,770,218</u>	<u>58,475,954</u>	<u>5,032,564</u>	<u>5,288,744</u>	<u>60,802,782</u>	<u>63,764,698</u>
Net assets:						
Invested in capital assets, net						
of related debt	20,420,840	19,477,559	53,240,973	52,754,671	73,661,813	72,232,230
Restricted	6,220,922	7,566,923	1,447,009	1,447,009	7,667,931	9,013,932
Unrestricted	<u>7,794,846</u>	<u>6,890,748</u>	<u>15,288,589</u>	<u>14,565,296</u>	<u>23,083,435</u>	<u>21,456,044</u>
Total net assets	<u>\$ 34,436,608</u>	<u>\$ 33,935,230</u>	<u>\$ 69,976,571</u>	<u>\$ 68,766,976</u>	<u>\$ 104,413,179</u>	<u>\$ 102,702,206</u>

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 \$1,710,973 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	
	2006	2005	2006	2005	2006	2005
Revenue:						
Program revenue:						
Charges for services	\$ 4,441,578	\$ 3,768,592	\$ 11,258,598	\$ 11,297,270	\$ 15,700,176	\$ 15,065,862
Operating grants and contributions	6,341,324	4,873,069	-	-	6,341,324	4,873,069
Capital grants and contributions	1,797,076	2,885,188	-	-	1,797,076	2,885,188
General revenue:						
Property taxes	9,584,773	9,105,344	-	-	9,584,773	9,105,344
Income taxes	7,249,113	7,300,012	-	-	7,249,113	7,300,012
Grants and contributions not restricted to specific programs	6,737,106	7,057,734	240,999	451,473	6,978,105	7,509,207
Other	614,799	344,903	500,427	249,120	1,115,226	594,023
Total revenue	36,765,769	35,334,842	12,000,024	11,997,863	48,765,793	47,332,705
Expenses:						
Legislative	79,904	70,428	-	-	79,904	70,428
General government	4,750,801	4,162,208	-	-	4,750,801	4,162,208
Public safety	16,110,222	15,211,748	-	-	16,110,222	15,211,748
Public works	6,391,700	5,602,686	-	-	6,391,700	5,602,686
Culture and recreation	2,766,612	2,638,497	-	-	2,766,612	2,638,497
Community enrichment	4,031,540	2,977,181	-	-	4,031,540	2,977,181
Interest on long-term debt	2,025,886	2,125,358	-	-	2,025,886	2,125,358
Sewer	-	-	4,790,277	4,545,475	4,790,277	4,545,475
Water	-	-	5,437,488	5,048,903	5,437,488	5,048,903
Parking system	-	-	597,889	638,752	597,889	638,752
Golf practice center	-	-	72,501	67,222	72,501	67,222
Total expenses	36,156,665	32,788,106	10,898,155	10,300,352	47,054,820	43,088,458
Decrease in net assets before transfers	609,104	2,546,736	1,101,869	1,697,511	1,710,973	4,244,247
Transfers	(107,726)	(104,591)	107,726	104,591	-	-
Increase in net assets	501,378	2,442,145	1,209,595	1,802,102	1,710,973	4,244,247
Net assets - beginning of year	33,935,230	31,493,085	68,766,976	66,964,874	102,702,206	98,457,959
Net assets - end of year	\$ 34,436,608	\$ 33,935,230	\$ 69,976,571	\$ 68,766,976	\$ 104,413,179	\$ 102,702,206

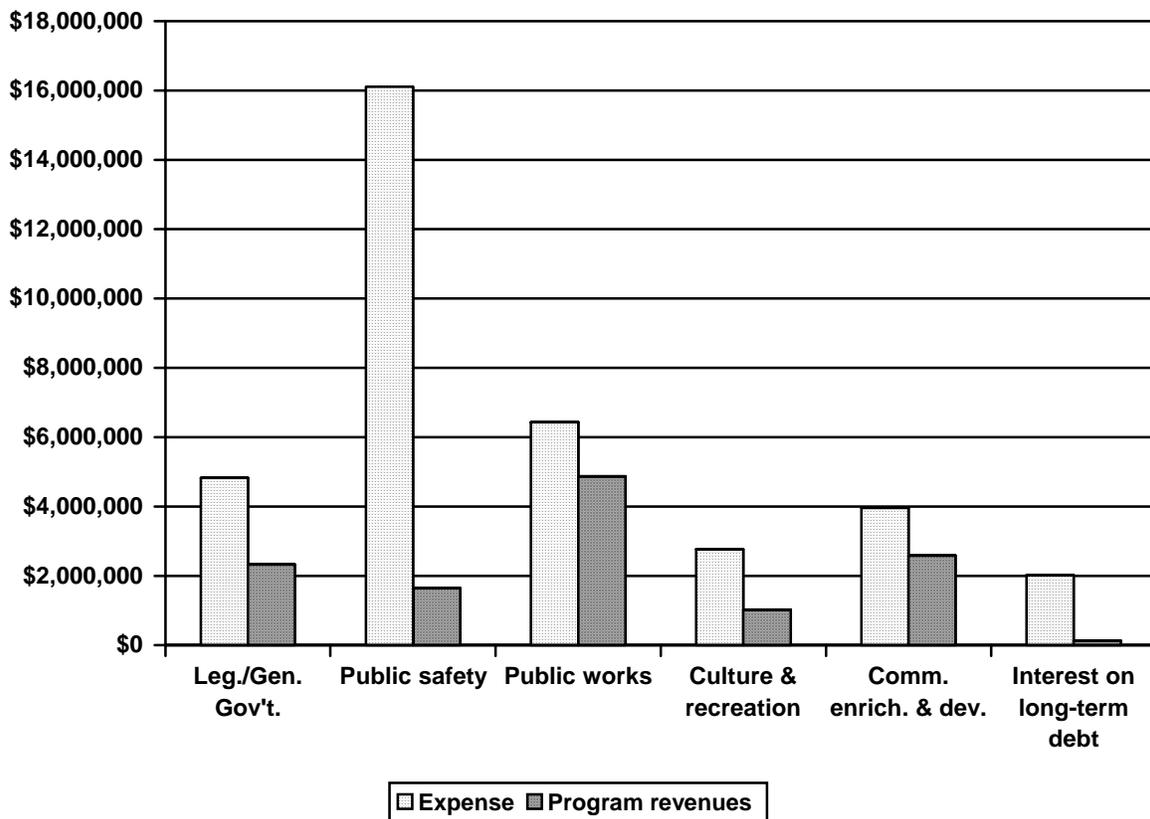
**Governmental activities.** Governmental activities increased the City's net assets by \$501,378 during fiscal year 2006. This increase is substantially lower than the previous fiscal year's increase as overall revenues more closely matched expenditures.

–Key elements of this increase are as follows:

- Operating grants and contributions increased nearly \$ 1.5 million, or 30 %. The most significant portion of this increase is related to the increase in federal revenues in the Community Development Block Grant Fund, which increased approximately \$ 935,000 from a year ago.
- Capital Grants and Contributions declined from the prior fiscal year nearly \$ 1.1 million or 38%. The majority of this decrease can be seen in the Major Street Fund due to the corresponding decline in street construction expenditures.
- Other revenue and expenditure categories reflected smaller total changes from the prior fiscal year and were due to a wider variety of factors.

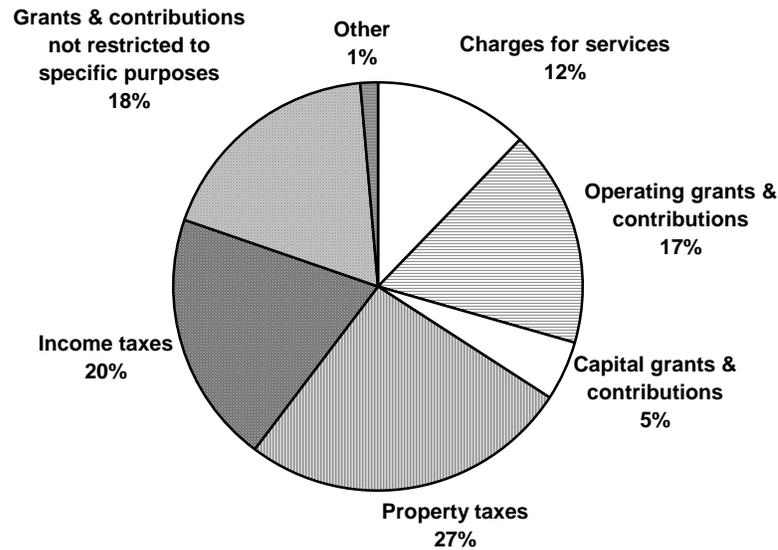
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**Expenses and Program Revenues - Governmental Activities**



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## Revenues by Source - Governmental Activities



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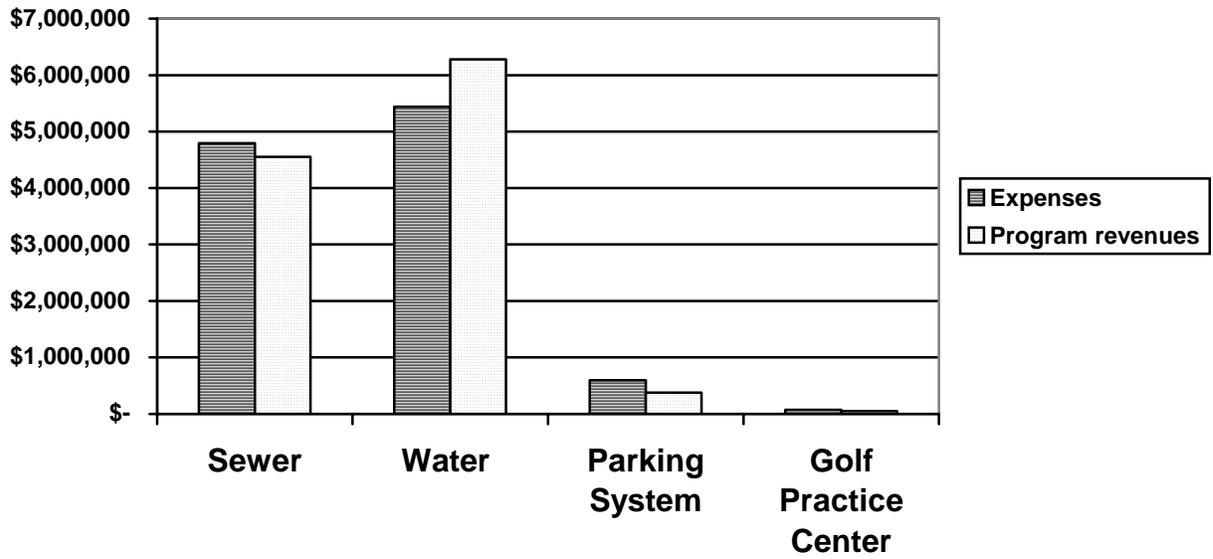
**Business-type activities.** Business-type activities increased the City's net assets by \$1,209,595, comprising 72 percent of the total increase in net assets of \$1,710,973.

- Key elements of this increase are as follows:

- While this increase is below that of the prior fiscal year (\$1,802,102) charges for services continue to keep pace, although to a lesser degree, with the inflationary rise of related expenses.
- During the fiscal year sewer rates were increased an average of 4.8 percent while there were no water rate increases. Despite the sewer rate increase, billable flows and other sewer charges slightly declined resulting in a small decrease – about one-third of one percent – in total charges for services.
- Contributions not restricted to specific purposes decreased over 46 percent, from \$451,473 to \$240,999, largely as a result of a prior fiscal year 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. This payment increased prior fiscal year revenues, which are now returning to more normal levels in 2006.
- Other income, which represents investment income, increased over \$251,000 as a result of interest rate increases as well as increases in available cash to invest.

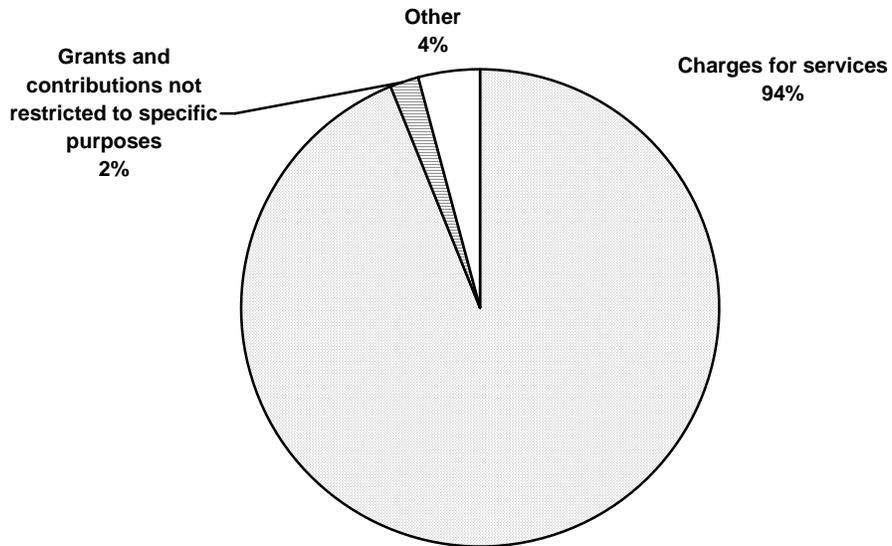
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**Expenses and Program Revenues - Business-type Activities**



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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 \$11,277,113, a decrease of \$1,083,318 in comparison with the prior year. Approximately 65% of this total amount, or \$7,378,500, is *available for spending* at the government's discretion (*unreserved fund balance*). 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 (\$2,658,608), 2) for residential property rehabilitation programs (\$219,598), 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 (\$76,988 and \$843,419, 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 \$2,596,377, while total fund balance was \$3,604,026. 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 11.2 percent of total General Fund expenditures while total fund balance represents 15.6 percent of total General Fund expenditures.

The fund balance of the City's General Fund decreased by (\$102,577) during the current fiscal year. Increases in property taxes, intergovernmental revenues, investment income and miscellaneous revenues were somewhat offset by increases in certain expenditure categories, namely public safety and public works.

The Community Development Block Grant Fund had a decrease in fund balance for the current year of (\$211,385) resulting in an ending total of \$219,598. This entire ending fund balance is reserved for the City's Residential Property Rehabilitation Programs.

**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 Sewage Fund and Water Fund at the end of the year amounted to \$8,256,861 and \$6,217,153, respectively. The Sewage Fund had an increase in net assets for the year of \$143,335, whereas the Water Fund had an increase of \$1,164,823. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Unrestricted net assets of the Parking Deck Fund amounted to \$522,221 at year-end; net assets decreased by \$122,041 for the year.

## General Fund Budgetary Highlights

Differences between the original and final amended budgeted revenues were largely attributable to the unexpected partial recognition of a one time payment from a local township under an urban cooperation agreement, included in miscellaneous revenues offset by 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 \$7.52 million based on trend analysis performed near the third quarter of the fiscal year, however actual revenues resulted in only \$7.25 million after fourth quarter collections fell below projections.

Expenditures were favorable when compared to budget also, but by a much larger degree, resulting in a decrease in fund balance of only (\$102,577) compared to the final amended budget anticipated amount of (\$869,828) – a favorable variance of \$767,251. Those General Fund activity budgets that were exceeded were, in most instances, due to unanticipated year-end expenditures. It should be noted that the unexpected partial recognition of a one time payment from a local township under an urban cooperation agreement mentioned above, which amounted to \$500,000, comprises the majority of this favorable variance. It was anticipated in the budget by management that this revenue would be recognized in fiscal year 2007.

## 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, 2006, amounted to \$127,911,091 (net of accumulated depreciation). This investment in capital assets includes land, systems, land improvements, infrastructure, buildings and improvements, park and recreation facilities and machinery and equipment. The total increase in the City’s investment in capital assets for the current fiscal year was \$ 1,055,184 or .8 percent (a 1.4 percent increase for governmental activities and a 0.1 percent decrease for business-type activities).

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

- Completion of work of approximately \$10 million on the City Hall Renovation Project, which was previously recorded as construction in progress.
- Various water and sewer improvements totaling approximately \$2.2 million.

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

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,440,383	\$ 2,440,383	\$ 8,956,886	\$ 8,956,886	\$ 11,397,269	\$ 11,397,269
Systems	-	-	32,242,327	31,734,099	32,242,327	31,734,099
Land improvements	15,115,621	15,430,510	1,856,451	1,937,248	16,972,072	17,367,758
Infrastructure	33,963,479	33,700,092	-	-	33,963,479	33,700,092
Buildings and improvements	12,852,711	3,326,206	11,295,291	11,508,241	24,148,002	14,834,447
Park and recreation facilities	3,712,956	3,731,330	-	-	3,712,956	3,731,330
Machinery and equipment	2,594,968	2,276,421	2,880,018	3,028,197	5,474,986	5,304,618
Construction in process	-	8,754,988	-	-	-	8,754,988
<b>Total</b>	<b>\$ 70,680,118</b>	<b>\$ 69,659,930</b>	<b>\$ 57,230,973</b>	<b>\$ 57,164,671</b>	<b>\$ 127,911,091</b>	<b>\$ 126,824,601</b>

Additional information on the City’s capital assets can be found in note 3-C on pages 43-45 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$51,853,577. Of this amount, \$48,263,577 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	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 48,263,577	\$ 49,028,577	\$ -	\$ -	\$ 48,263,577	\$ 49,028,577
Revenue bonds	-	-	3,590,000	3,960,000	3,590,000	3,960,000
<b>Total</b>	<b>\$ 48,263,577</b>	<b>\$ 49,028,577</b>	<b>\$ 3,590,000</b>	<b>\$ 3,960,000</b>	<b>\$ 51,853,577</b>	<b>\$ 52,988,577</b>

The City’s total bonded debt decreased by \$1,135,000 (2.1 percent) during the current fiscal year. No new debt was issued and \$1,135,000 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 \$95,180,701, 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 47-50 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 2006/07 fiscal year:

- The 2006/07 budget anticipated a 3% increase in income tax based on steady employment levels and an inflationary rise in wage rates. The unemployment rate for the City is currently 9.5 percent (October 2006). This compares unfavorably to the state’s average unemployment rate of 6.1 percent and the national average rate of 4.1 percent. While this rate is lower than the City’s previous three years as of June 30th, it does represent an increase from a rate of 7.6 percent a year ago (October 2005).
- Ad valorem taxable values have increased 4.4 percent over the prior fiscal year, which includes both allowable inflationary increases of 3.3 percent as well as real growth of 1.1 percent. The inflation rate multiplier for tax year 2007 has been set by the state at 1.037, or a 3.7 percent increase, the highest since the start of Proposal A in 1995
- Inflationary trends in the region compare favorably to national indices.

During the 2006 fiscal year, unreserved fund balance in the General Fund increased to approximately \$2.6 million. The City has appropriated approximately \$1 million of this amount for spending in the 2006/07 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.

# **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Jackson, Michigan**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
<b>Assets</b>					
Cash and cash equivalents	\$ 9,911,720	\$ 15,222,726	\$ 25,134,446	\$ 2,416,237	\$ 192,656
Investments, at fair value	2,532,413	-	2,532,413	-	-
Receivables, net	5,850,923	2,428,041	8,278,964	-	7,166
Interfund balances	130,000	(130,000)	-	-	-
Prepays and other assets	1,101,652	257,395	1,359,047	-	-
Capital assets not being depreciated	2,440,383	8,956,886	11,397,269	-	-
Capital assets being depreciated, net	68,239,735	48,274,087	116,513,822	-	-
<b>Total assets</b>	<b>90,206,826</b>	<b>75,009,135</b>	<b>165,215,961</b>	<b>2,416,237</b>	<b>199,822</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	2,967,998	588,060	3,556,058	-	-
Accrued interest payable	289,515	-	289,515	-	-
Unearned revenue	113,751	125,000	238,751	-	-
Long-term debt:					
Due within one year	1,388,632	481,723	1,870,355	-	-
Due in more than one year	51,010,322	3,837,781	54,848,103	-	-
<b>Total liabilities</b>	<b>55,770,218</b>	<b>5,032,564</b>	<b>60,802,782</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	20,420,840	53,240,973	73,661,813	-	-
Restricted for:					
Debt service	35,044	1,447,009	1,482,053	-	-
Capital projects	731,542	-	731,542	-	-
Endowments	2,658,608	-	2,658,608	-	-
Budget stabilization	1,603,500	-	1,603,500	-	-
Public improvement and recreation	972,630	-	972,630	-	-
Rehabilitation programs	219,598	-	219,598	-	-
Unrestricted	7,794,846	15,288,589	23,083,435	2,416,237	199,822
<b>Total net assets</b>	<b>\$ 34,436,608</b>	<b>\$ 69,976,571</b>	<b>\$ 104,413,179</b>	<b>\$ 2,416,237</b>	<b>\$ 199,822</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, 2006**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		<b>Net Revenue (Expense)</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>		<b>Capital Grants and Contributions</b>
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 79,904	\$ -	\$ -	\$ -	\$ (79,904)
General government	4,750,801	2,178,125	123,803	23,442	(2,425,431)
Public safety	16,110,222	880,654	765,396	-	(14,464,172)
Public works	6,391,700	235,406	2,868,043	1,770,204	(1,518,047)
Culture and recreation	2,766,612	1,017,753	5,903	-	(1,742,956)
Community enrichment and development	4,031,540	5,335	2,578,179	3,430	(1,444,596)
Interest on long-term debt	2,025,886	124,305	-	-	(1,901,581)
Total governmental activities	<u>36,156,665</u>	<u>4,441,578</u>	<u>6,341,324</u>	<u>1,797,076</u>	<u>(23,576,687)</u>
Business-type activities:					
Sewer	4,790,277	4,550,800	-	-	(239,477)
Water	5,437,488	6,278,705	-	-	841,217
Parking system	597,889	377,939	-	-	(219,950)
Golf practice center	72,501	51,154	-	-	(21,347)
Total business-type activities	<u>10,898,155</u>	<u>11,258,598</u>	<u>-</u>	<u>-</u>	<u>360,443</u>
Total primary government	<u>\$ 47,054,820</u>	<u>\$ 15,700,176</u>	<u>\$ 6,341,324</u>	<u>\$ 1,797,076</u>	<u>\$ (23,216,244)</u>
<b>Component units</b>					
Brownfield redevelopment	\$ 1,038,046	\$ -	\$ -	\$ -	\$ (1,038,046)
Downtown development	154,492	34,906	37,853	-	(81,733)
Total component units	<u>\$ 1,192,538</u>	<u>\$ 34,906</u>	<u>\$ 37,853</u>	<u>\$ -</u>	<u>\$ (1,119,779)</u>

continued....

**City of Jackson, Michigan**  
**Statement of Activities (Concluded)**  
**For the Fiscal Year Ended June 30, 2006**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
<b>Net revenue (expense)</b>	\$ (23,576,687)	\$ 360,443	\$ (23,216,244)	\$ (1,038,046)	\$ (81,733)
<b>General revenues</b>					
Property taxes	9,584,773	-	9,584,773	1,354,047	92,311
Income taxes	7,249,113	-	7,249,113	-	-
Grants and contributions not restricted to specific purposes	6,737,106	240,999	6,978,105	-	6,347
Unrestricted interest earnings	587,551	500,427	1,087,978	62,026	5,862
Gain on sale of capital assets	27,248	-	27,248	-	-
<b>Transfers - internal activities</b>	<u>(107,726)</u>	<u>107,726</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>24,078,065</u>	<u>849,152</u>	<u>24,927,217</u>	<u>1,416,073</u>	<u>104,520</u>
Change in net assets	501,378	1,209,595	1,710,973	378,027	22,787
<b>Net assets</b>					
Beginning of year	<u>33,935,230</u>	<u>68,766,976</u>	<u>102,702,206</u>	<u>2,038,210</u>	<u>177,035</u>
End of year	<u>\$ 34,436,608</u>	<u>\$ 69,976,571</u>	<u>\$ 104,413,179</u>	<u>\$ 2,416,237</u>	<u>\$ 199,822</u>

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

## **FUND FINANCIAL STATEMENTS**

**City of Jackson, Michigan**  
**Governmental Funds Balance Sheet**  
**June 30, 2006**

	<u>General</u>	<u>Community Development Block Grant</u>	<u>Special Assessment Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 1,443,878	\$ 282,442	\$ -	\$ 5,238,282	\$ 6,964,602
Investments	-	-	-	2,532,413	2,532,413
Accounts receivables, net	480,795	-	-	200,562	681,357
Taxes receivable	1,661,311	-	-	-	1,661,311
Other receivables	-	-	783,825	19,246	803,071
Due from other governments	639,074	-	-	522,847	1,161,921
Due from other funds	24,984	-	-	2,678	27,662
Inventories	64,230	-	-	12,758	76,988
Prepaid expenditures	843,419	-	-	-	843,419
Restricted assets - cash and cash equivalents	-	172,770	-	-	172,770
Loans receivable	-	1,188,375	-	-	1,188,375
Long-term advances to other funds	100,000	-	-	130,000	230,000
<b>Total assets</b>	<b>\$ 5,257,691</b>	<b>\$ 1,643,587</b>	<b>\$ 783,825</b>	<b>\$ 8,658,786</b>	<b>\$ 16,343,889</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 250,927	\$ 97,609	\$ -	\$ 205,736	\$ 554,272
Accrued payroll	472,939	25,150	-	95,660	593,749
Other liabilities	632,341	-	-	-	632,341
Due to other governments	139,897	-	-	-	139,897
Due to other funds	2,678	-	-	24,984	27,662
Deferred revenue	-	1,201,230	783,825	100,896	2,085,951
Other accrued liabilities	154,883	-	-	-	154,883
Long-term advances from other funds	-	100,000	778,021	-	878,021
<b>Total liabilities</b>	<b>1,653,665</b>	<b>1,423,989</b>	<b>1,561,846</b>	<b>427,276</b>	<b>5,066,776</b>
<b>Fund balances</b>					
Reserved for:					
Residential property rehabilitation programs	-	219,598	-	-	219,598
Inventory	64,230	-	-	12,758	76,988
Prepaid expenditures	843,419	-	-	-	843,419
Perpetual care and endowment	-	-	-	2,658,608	2,658,608
Advances	100,000	-	-	-	100,000
Unreserved:					
Designated:					
For subsequent year's expenditures	988,061	-	-	-	988,061
Reported in nonmajor special revenue funds	-	-	-	851,892	851,892
Undesignated (deficit)	1,608,316	-	(778,021)	-	830,295
Undesignated, reported in nonmajor :					
Special revenue funds	-	-	-	3,163,645	3,163,645
Debt service funds	-	-	-	35,044	35,044
Capital projects funds	-	-	-	1,509,563	1,509,563
Total fund balances (deficits)	<b>3,604,026</b>	<b>219,598</b>	<b>(778,021)</b>	<b>8,231,510</b>	<b>11,277,113</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,257,691</b>	<b>\$ 1,643,587</b>	<b>\$ 783,825</b>	<b>\$ 8,658,786</b>	<b>\$ 16,343,889</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, 2006**

Fund balances - total governmental funds \$ 11,277,113

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	160,268,529
Subtract: accumulated depreciation	(90,376,913)

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	1,188,375
Add: deferred special assessments	783,825

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	3,581,489
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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	135,245
Subtract: bonds, contracts and loans payable	(50,196,577)
Subtract: compensated absences	(1,934,963)
Subtract: accrued interest on long-term liabilities	(289,515)

Net assets of governmental activities	\$ 34,436,608
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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, 2006**

	General	Community Development Block Grant	Special Assessment Capital Projects	Nonmajor Funds	Totals
<b>Revenues</b>					
Property taxes	\$ 7,027,530	\$ -	\$ -	\$ 2,530,195	\$ 9,557,725
Income taxes	7,249,113	-	-	-	7,249,113
Licenses and permits	231,377	-	-	-	231,377
Intergovernmental	5,925,153	2,330,542	-	4,590,357	12,846,052
Charges for services	1,170,927	-	-	2,682,176	3,853,103
Fines and forfeits	212,690	-	-	-	212,690
Special assessments	-	-	358,163	20,176	378,339
Investment income	267,083	-	-	264,345	531,428
Miscellaneous	1,404,473	14,473	-	351,291	1,770,237
<b>Total revenues</b>	<b>23,488,346</b>	<b>2,345,015</b>	<b>358,163</b>	<b>10,438,540</b>	<b>36,630,064</b>
<b>Expenditures</b>					
Current:					
Legislative	79,904	-	-	-	79,904
General government	4,460,003	-	-	-	4,460,003
Public safety	15,229,963	503,048	-	822,636	16,555,647
Public works	1,728,580	-	-	4,799,928	6,528,508
Culture and recreation	1,385,593	-	-	1,206,965	2,592,558
Community enrichment and development	204,811	2,053,352	-	615,619	2,873,782
Capital outlay	-	-	-	1,456,073	1,456,073
Debt service:					
Principal retirement	-	-	-	1,064,000	1,064,000
Interest and fiscal charges	-	-	-	2,021,976	2,021,976
<b>Total expenditures</b>	<b>23,088,854</b>	<b>2,556,400</b>	<b>-</b>	<b>11,987,197</b>	<b>37,632,451</b>
Revenues over (under) expenditures	399,492	(211,385)	358,163	(1,548,657)	(1,002,387)
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	13,379	-	-	13,416	26,795
Transfers in	270,667	-	-	1,887,877	2,158,544
Transfers out	(786,115)	-	(308,957)	(1,171,198)	(2,266,270)
<b>Total other financing sources (uses)</b>	<b>(502,069)</b>	<b>-</b>	<b>(308,957)</b>	<b>730,095</b>	<b>(80,931)</b>
Net change in fund balances	(102,577)	(211,385)	49,206	(818,562)	(1,083,318)
Fund balances (deficits), beginning of year	3,706,603	430,983	(827,227)	9,050,072	12,360,431
<b>Fund balances (deficits), end of year</b>	<b>\$ 3,604,026</b>	<b>\$ 219,598</b>	<b>\$ (778,021)</b>	<b>\$ 8,231,510</b>	<b>\$ 11,277,113</b>

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, 2006**

Net change in fund balances - total governmental funds \$ (1,083,318)

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	3,964,673
Add: gain on sale of capital assets	27,248
Subtract: proceeds from sale of capital assets	(26,795)
Subtract: depreciation expense	(3,223,159)

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	27,048
Subtract: current year loan receivable receipts	(172,295)

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	1,064,000
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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	2,852
Subtract: amortization of bond discount	(6,762)
Subtract: increase in the accrual of compensated absences	(191,488)

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	179,303
Deduct: net operating loss from governmental activities accounted for in internal service funds	<u>(59,929)</u>

Change in net assets of governmental activities	<u><u>\$ 501,378</u></u>
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The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	2006				2005 Actual
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>					
Property taxes	\$ 6,884,991	\$ 6,951,491	\$ 7,027,530	\$ 76,039	\$ 6,543,352
Income taxes	7,675,000	7,520,000	7,249,113	(270,887)	7,300,012
Licenses and permits	253,850	256,025	231,377	(24,648)	254,973
Intergovernmental	5,507,535	5,911,406	5,925,153	13,747	5,581,910
Charges for services	1,608,783	1,371,738	1,170,927	(200,811)	1,338,854
Fines and forfeits	254,954	200,964	212,690	11,726	258,178
Investment income	110,000	185,000	267,083	82,083	105,190
Miscellaneous	435,732	838,757	1,404,473	565,716	1,392,079
Total revenues	<u>22,730,845</u>	<u>23,235,381</u>	<u>23,488,346</u>	<u>252,965</u>	<u>22,774,548</u>
<b>Expenditures</b>					
Current:					
Legislative - City Council	77,031	79,707	79,904	197	70,428
General government:					
City Manager	419,102	319,863	323,844	3,981	409,199
City Clerk - Elections	137,184	115,957	95,609	(20,348)	103,062
Finance	386,655	392,084	389,115	(2,969)	368,852
City Assessor	393,299	347,652	352,085	4,433	361,954
City Attorney	462,454	451,954	451,911	(43)	389,354
City Clerk	191,873	186,964	179,765	(7,199)	188,952
Personnel	324,233	338,507	333,267	(5,240)	293,205
Purchasing	155,830	154,730	158,300	3,570	148,035
City Treasurer	298,553	297,553	294,574	(2,979)	318,084
City Income Tax Administration	234,894	249,001	226,114	(22,887)	201,525
Management Information Services	287,199	278,441	267,382	(11,059)	248,933
City Hall & Grounds	286,535	302,564	321,119	18,555	419,385
Cemeteries	401,400	379,248	436,047	56,799	407,666
Hearing Bureau	43,694	17,812	19,509	1,697	5,475
Unallocated	686,675	669,710	611,362	(58,348)	617,463
Total general government	<u>4,709,580</u>	<u>4,502,040</u>	<u>4,460,003</u>	<u>(42,037)</u>	<u>4,481,144</u>
Public safety:					
Police:					
General	7,785,590	8,472,941	8,388,536	(84,405)	7,833,623
Youth Services Unit	290,179	290,179	267,782	(22,397)	244,575
NFBP Grant	-	36,597	36,597	-	15,599
STEP Grant	-	33,580	33,580	-	36,756
JCCA Grant	4,825	14,354	13,755	(599)	6,516
MCOLES Training	-	8,850	8,850	-	8,490
In-Service Training	12,260	15,854	15,854	-	16,674
Consortium Training	30,880	44,122	32,609	(11,513)	3,605
Reimbursements	-	(95,000)	(101,469)	(6,469)	-
Fire:					
Administration	259,084	253,276	249,776	(3,500)	241,281
Suppression	4,158,331	4,617,124	4,670,932	53,808	4,227,541
Prevention	31,802	32,183	12,491	(19,692)	18,381
Training	192,232	188,821	177,104	(11,717)	192,972
Police & Fire - Unallocated	1,440,376	1,434,756	1,377,928	(56,828)	1,127,323
Emergency Measures	66,747	56,747	45,638	(11,109)	37,424
Total public safety	<u>14,272,306</u>	<u>15,404,384</u>	<u>15,229,963</u>	<u>(174,421)</u>	<u>14,010,760</u>

Continued...

**City of Jackson, Michigan**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual (Concluded)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	2006				2005 Actual
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	
<b>Expenditures (concluded)</b>					
Current (concluded):					
Public Works:					
Tax Property Maintenance	\$ 68,250	\$ 59,437	\$ 18,100	\$ (41,337)	\$ 36,507
Civic Affairs	68,629	89,967	66,642	(23,325)	84,144
Drains at Large	80,534	80,458	56,154	(24,304)	67,599
Storm Drain Construction	94,000	82,908	59,556	(23,352)	7,858
Grounds Maintenance	174,456	171,398	141,008	(30,390)	172,120
Sidewalk Construction	251,180	326,520	223,200	(103,320)	102,402
Street Lighting	368,828	850,537	831,659	(18,878)	380,818
Forestry	521,510	527,282	527,095	(187)	551,875
Weed Control	29,141	26,502	20,124	(6,378)	8,727
Emergency Equipment	7,593	6,451	3,573	(2,878)	2,842
Reimbursements	-	(218,531)	(218,531)	-	-
Total public works	<u>1,664,121</u>	<u>2,002,929</u>	<u>1,728,580</u>	<u>(274,349)</u>	<u>1,414,892</u>
Culture and recreation:					
Parks & Recreation Administration	669,891	677,075	673,900	(3,175)	646,807
Recreation - Millage Programs	248,000	-	-	-	133,980
Parks & Facilities Maintenance	512,949	518,228	516,136	(2,092)	499,867
Lt. Nixon Memorial Pool	174,908	174,908	135,236	(39,672)	131,713
Sharp Park Swimming Pool	121,360	124,580	96,321	(28,259)	96,207
Reimbursements	(18,000)	(36,000)	(36,000)	-	-
Total culture and recreation	<u>1,709,108</u>	<u>1,458,791</u>	<u>1,385,593</u>	<u>(73,198)</u>	<u>1,508,574</u>
Community enrichment/development:					
Planning	102,268	96,813	101,859	5,046	113,457
DDA and Equity Grants	37,800	37,800	37,800	-	37,800
Historical District	41,084	38,516	35,279	(3,237)	36,025
Human Relations	51,428	30,982	29,873	(1,109)	3,515
Total community enrichment and development	<u>232,580</u>	<u>204,111</u>	<u>204,811</u>	<u>700</u>	<u>190,797</u>
<b>Total expenditures</b>	<u>22,664,726</u>	<u>23,651,962</u>	<u>23,088,854</u>	<u>(563,108)</u>	<u>21,676,595</u>
<b>Revenues over (under) expenditures</b>	<u>66,119</u>	<u>(416,581)</u>	<u>399,492</u>	<u>816,073</u>	<u>1,097,953</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	15,160	15,160	13,379	(1,781)	17,809
Transfers in	316,017	307,084	270,667	(36,417)	206,969
Transfers out	(543,000)	(775,491)	(786,115)	(10,624)	(1,604,094)
Total other financing sources (uses)	<u>(211,823)</u>	<u>(453,247)</u>	<u>(502,069)</u>	<u>(48,822)</u>	<u>(1,379,316)</u>
Net change in fund balances	(145,704)	(869,828)	(102,577)	767,251	(281,363)
Fund balance, beginning of year	<u>3,706,603</u>	<u>3,706,603</u>	<u>3,706,603</u>	<u>-</u>	<u>3,987,966</u>
<b>Fund balance, end of year</b>	<u>\$ 3,560,899</u>	<u>\$ 2,836,775</u>	<u>\$ 3,604,026</u>	<u>\$ 767,251</u>	<u>\$ 3,706,603</u>

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

**City of Jackson, Michigan**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**Community Development Block Grant Fund**  
**For the Fiscal Year Ended June 30, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	2006				2005 Actual
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>					
Intergovernmental	\$ 12,546,499	\$ 12,546,499	\$ 2,330,542	\$ (10,215,957)	\$ 1,359,550
Investment income	61,744	61,744	-	(61,744)	(61,485)
Miscellaneous	1,843,302	1,843,302	14,473	(1,828,829)	448,178
Total revenues	<u>14,451,545</u>	<u>14,451,545</u>	<u>2,345,015</u>	<u>(12,106,530)</u>	<u>1,746,243</u>
<b>Expenditures</b>					
Current:					
Public safety:					
Code enforcement	3,046,731	3,046,731	503,048	(2,543,683)	441,022
Community enrichment and development:					
Rehabilitation	2,938,602	2,938,602	502,825	(2,435,777)	544,522
Rehabilitation loans	18,134	18,134	5,412	(12,722)	130
Public services	1,046,072	1,046,072	178,409	(867,663)	96,134
Administration	1,988,525	1,988,525	326,170	(1,662,355)	250,241
Economic development	2,005,000	2,005,000	190,000	(1,815,000)	16,500
Paint program	15,000	15,000	1,156	(13,844)	620
Street construction - special assessments	1,084,701	1,084,701	25,565	(1,059,136)	-
Street lights	138,395	138,395	138,395	-	-
Sidewalks and drives	83,436	83,436	80,436	(3,000)	-
Forestry	57,350	57,350	38,524	(18,826)	-
Recreation	574,604	574,604	74,123	(500,481)	-
Public improvement	1,013,689	1,013,689	237,260	(776,429)	-
Public facility demolition	329,949	329,949	226,912	(103,037)	-
Jackson Affordable Housing	111,357	111,357	28,165	(83,192)	22,782
Total expenditures	<u>14,451,545</u>	<u>14,451,545</u>	<u>2,556,400</u>	<u>(11,895,145)</u>	<u>1,371,951</u>
Revenues over (under) expenditures	-	-	(211,385)	(211,385)	374,292
<b>Other financing uses</b>					
Transfers out	-	-	-	-	(366,825)
Net change in fund balances	-	-	(211,385)	(211,385)	7,467
Fund balance, beginning of year	<u>430,983</u>	<u>430,983</u>	<u>430,983</u>	<u>-</u>	<u>423,516</u>
<b>Fund balance, end of year</b>	<u><u>\$ 430,983</u></u>	<u><u>\$ 430,983</u></u>	<u><u>\$ 219,598</u></u>	<u><u>\$ (211,385)</u></u>	<u><u>\$ 430,983</u></u>

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

**City of Jackson, Michigan**  
**Statement of Net Assets - Proprietary Funds**  
**June 30, 2006**

	Enterprise Funds - Business-type Activities					Governmental Activities
	Sewage	Water	Parking Deck	Nonmajor Funds	Totals	Internal Service
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 7,675,464	\$ 5,021,524	\$ 651,950	\$ 426,779	\$ 13,775,717	\$ 2,774,348
Accounts receivable, net	860,993	1,567,048	-	-	2,428,041	354,888
Inventories	-	257,395	-	-	257,395	-
Prepaid items	-	-	-	-	-	46,000
Restricted cash and cash equivalents:						
Bond reserve	199,000	492,000	-	-	691,000	-
Bond redemption	267,900	488,109	-	-	756,009	-
Total current assets	<u>9,003,357</u>	<u>7,826,076</u>	<u>651,950</u>	<u>426,779</u>	<u>17,908,162</u>	<u>3,175,236</u>
<b>Noncurrent assets</b>						
Long-term advances	-	-	-	-	-	809,417
Capital assets not being depreciated	154,947	58,369	7,060,843	1,682,727	8,956,886	-
Capital assets being depreciated, net	16,588,751	18,858,215	12,358,317	468,804	48,274,087	788,502
Total noncurrent assets	<u>16,743,698</u>	<u>18,916,584</u>	<u>19,419,160</u>	<u>2,151,531</u>	<u>57,230,973</u>	<u>1,597,919</u>
<b>Total assets</b>	<u>25,747,055</u>	<u>26,742,660</u>	<u>20,071,110</u>	<u>2,578,310</u>	<u>75,139,135</u>	<u>4,773,155</u>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 123,169	\$ 237,130	\$ 4,589	\$ 729	\$ 365,617	\$ 232,820
Accrued payroll	43,706	67,571	140	3,696	115,113	29,067
Accrued compensated absences	11,369	20,354	-	-	31,723	14,749
Customer deposits	-	107,330	-	-	107,330	-
Unearned revenue	-	-	125,000	-	125,000	-
Current portion of long-term debt	200,000	200,000	-	50,000	450,000	-
Total current liabilities	<u>378,244</u>	<u>632,385</u>	<u>129,729</u>	<u>54,425</u>	<u>1,194,783</u>	<u>276,636</u>
<b>Noncurrent liabilities</b>						
Long term advance from other funds	-	-	-	130,000	130,000	31,396
Estimated claims payable	-	-	-	-	-	785,852
Revenue bonds payable	925,000	2,265,000	-	-	3,190,000	-
Installment purchase contract payable	-	-	-	350,000	350,000	-
Accrued compensated absences	101,352	196,429	-	-	297,781	97,782
Total noncurrent liabilities	<u>1,026,352</u>	<u>2,461,429</u>	<u>-</u>	<u>480,000</u>	<u>3,967,781</u>	<u>915,030</u>
<b>Total liabilities</b>	<u>1,404,596</u>	<u>3,093,814</u>	<u>129,729</u>	<u>534,425</u>	<u>5,162,564</u>	<u>1,191,666</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	15,618,698	16,451,584	19,419,160	1,751,531	53,240,973	757,106
Restricted for:						
Bond reserve	199,000	492,000	-	-	691,000	-
Bond and interest redemption	267,900	488,109	-	-	756,009	-
Unrestricted	<u>8,256,861</u>	<u>6,217,153</u>	<u>522,221</u>	<u>292,354</u>	<u>15,288,589</u>	<u>2,824,383</u>
<b>Total net assets</b>	<u>\$ 24,342,459</u>	<u>\$ 23,648,846</u>	<u>\$ 19,941,381</u>	<u>\$ 2,043,885</u>	<u>\$ 69,976,571</u>	<u>\$ 3,581,489</u>

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

**City of Jackson, Michigan**  
**Statement of Revenues, Expenses and**  
**Changes in Net Assets - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Enterprise Funds - Business-type Activities					Governmental Activities
	Sewage	Water	Parking Deck	Nonmajor Funds	Totals	Internal Service
<b>Operating revenues</b>						
Charges for sales and services	\$ 4,550,800	\$ 6,097,120	\$ 250,000	\$ 179,093	\$ 11,077,013	\$ 2,274,820
Administrative fees	-	181,585	-	-	181,585	-
Other	106,791	134,208	-	-	240,999	364,228
Total operating revenues	<u>4,657,591</u>	<u>6,412,913</u>	<u>250,000</u>	<u>179,093</u>	<u>11,499,597</u>	<u>2,639,048</u>
<b>Operating expenses</b>						
Personal services	1,407,794	2,223,385	19,689	96,220	3,747,088	1,069,922
Administration	-	-	-	-	-	164,266
Materials and supplies	298,846	1,004,244	-	2,228	1,305,318	331,739
Contractual and other services	1,885,352	1,373,733	110,671	90,302	3,460,058	400,854
Benefit payments	-	-	-	-	-	580,941
Equipment	-	-	-	-	-	4,713
Depreciation	1,136,510	716,408	262,943	64,896	2,180,757	146,542
Total operating expenses	<u>4,728,502</u>	<u>5,317,770</u>	<u>393,303</u>	<u>253,646</u>	<u>10,693,221</u>	<u>2,698,977</u>
Operating income (loss)	<u>(70,911)</u>	<u>1,095,143</u>	<u>(143,303)</u>	<u>(74,553)</u>	<u>806,376</u>	<u>(59,929)</u>
<b>Nonoperating revenues (expenses)</b>						
Investment income	276,021	189,398	21,262	13,746	500,427	179,303
Interest and fiscal charges	(61,775)	(119,718)	-	(23,441)	(204,934)	-
Total nonoperating revenues (expenses)	<u>214,246</u>	<u>69,680</u>	<u>21,262</u>	<u>(9,695)</u>	<u>295,493</u>	<u>179,303</u>
Income (loss) before transfers	143,335	1,164,823	(122,041)	(84,248)	1,101,869	119,374
<b>Transfers in</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,726</u>	<u>107,726</u>	<u>-</u>
Change in net assets	143,335	1,164,823	(122,041)	23,478	1,209,595	119,374
Net assets, beginning of year	<u>24,199,124</u>	<u>22,484,023</u>	<u>20,063,422</u>	<u>2,020,407</u>	<u>68,766,976</u>	<u>3,462,115</u>
<b>Net assets, end of year</b>	<u>\$ 24,342,459</u>	<u>\$ 23,648,846</u>	<u>\$ 19,941,381</u>	<u>\$ 2,043,885</u>	<u>\$ 69,976,571</u>	<u>\$ 3,581,489</u>

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, 2006**

	Enterprise Funds - Business-type Activities				Totals	Governmental Activities
	Sewage	Water	Parking Deck	Nonmajor Funds		Internal Service
<b>Cash flows from operating activities</b>						
Payments to employees	\$ (1,396,529)	\$ (2,189,778)	\$ (19,644)	\$ (96,220)	\$ (3,702,171)	\$ (1,055,171)
Payments to vendors and claimants	(2,122,998)	(2,354,427)	(107,603)	( 101,679)	( 4,686,707)	( 1,074,140)
Receipts from customers and users	4,800,162	6,524,982	250,000	174,551	11,749,695	-
Receipts for interfund services provided	-	-	-	-	-	2,389,348
Net cash provided by (used in) operating activities	<u>1,280,635</u>	<u>1,980,777</u>	<u>122,753</u>	<u>(23,348)</u>	<u>3,360,817</u>	<u>260,037</u>
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital assets	(839,862)	(1,407,196)	-	-	(2,247,058)	(393,368)
Principal and interest paid on long-term debt	(236,775)	(314,718)	-	( 73,441)	( 624,934)	-
Principal and interest paid on advance	-	-	-	-	-	(3,951)
Net cash provided by (used in) capital and related financing activities	<u>(1,076,637)</u>	<u>(1,721,914)</u>	<u>-</u>	<u>(73,441)</u>	<u>(2,871,992)</u>	<u>(397,319)</u>
<b>Cash flows from non-capital financing activities</b>						
Transfers in	-	-	-	107,726	107,726	-
<b>Cash flows from investing activities</b>						
Interest received on investments	276,021	189,398	21,262	13,746	500,427	179,303
Net increase (decrease) in cash and cash equivalents	480,019	448,261	144,015	24,683	1,096,978	42,021
Cash and cash equivalents, beginning of year	7,662,345	5,553,372	507,935	402,096	14,125,748	2,732,327
<b>Cash and cash equivalents, end of year</b>	<u>\$ 8,142,364</u>	<u>\$ 6,001,633</u>	<u>651,950</u>	<u>\$ 426,779</u>	<u>\$ 15,222,726</u>	<u>\$ 2,774,348</u>
<b>Statement of net assets classification of cash</b>						
Cash and cash equivalents	\$ 7,675,464	\$ 5,021,524	651,950	\$ 426,779	\$ 13,775,717	\$ 2,774,348
Restricted cash and cash equivalents	466,900	980,109	-	-	1,447,009	-
	<u>\$ 8,142,364</u>	<u>\$ 6,001,633</u>	<u>651,950</u>	<u>\$ 426,779</u>	<u>\$ 15,222,726</u>	<u>\$ 2,774,348</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Operating income (loss)	\$ (70,911)	\$ 1,095,143	(143,303)	\$ (74,553)	\$ 806,376	\$ (59,929)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,136,510	716,408	262,943	64,896	2,180,757	146,542
(Increase) decrease in:						
Accounts receivable	142,571	86,291	-	-	228,862	(249,700)
Due from other funds	-	-	-	622	622	-
Inventories	-	(9,619)	-	-	(9,619)	-
Increase (decrease) in:						
Accounts payable	61,200	33,169	3,068	(3,790)	93,647	134,528
Accrued payroll	6,795	6,655	45	(523)	12,972	496
Accrued compensated absences	4,470	26,952	-	-	31,422	14,255
Advance from other funds	-	-	-	(10,000)	(10,000)	-
Customer deposits	-	25,778	-	-	25,778	-
Estimated claims payable	-	-	-	-	-	273,845
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,280,635</u>	<u>\$ 1,980,777</u>	<u>122,753</u>	<u>\$ (23,348)</u>	<u>\$ 3,360,817</u>	<u>\$ 260,037</u>

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

**City of Jackson, Michigan**  
**Statement of Fiduciary Net Assets - Fiduciary Funds**  
**June 30, 2006**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,002,051	\$ 111,732
Investments, at fair value:		
U.S. treasuries	2,098,528	-
U.S. agencies	1,232,828	-
Corporate bonds:		
Domestic	5,815,454	-
Domestic mutual funds	12,027,164	-
International	774,920	-
Equities:		
Domestic stocks	21,667,736	-
Domestic mutual funds	15,079,175	-
International stocks	1,242,528	-
International mutual funds	3,701,213	-
American depository receipts	159,467	-
Receivables:		
Interest and dividends	116,021	-
Other	284,864	-
	<u>67,201,949</u>	<u>\$ 111,732</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 66,908
Due to other governments	-	16,329
Refunds payable and other liabilities	47,710	28,495
	<u>47,710</u>	<u>\$ 111,732</u>
<b>Net assets</b>		
Held in trust for pension benefits	<u>\$ 67,154,239</u>	

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, 2006**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 3,740,038
Plan member	1,198,644
Total contributions	4,938,682
Investment income:	
Net appreciation in fair value of investments	3,880,317
Interest	1,080,110
Dividends	306,978
	5,267,405
Less investment expense	233,386
Net investment income	5,034,019
Total additions	9,972,701
<b>Deductions</b>	
Benefits	6,058,193
Refunds of contributions	92,874
Administrative expense	192,850
Total deductions	6,343,917
<b>Net increase in net assets</b>	3,628,784
<b>Net assets held in trust for pension benefits</b>	
Beginning of year	63,525,455
<b>End of year</b>	<b>\$ 67,154,239</b>

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

## **NOTES to the FINANCIAL STATEMENTS**

# City of Jackson, Michigan

## Notes to Financial Statements

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# 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 in the government-wide 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 Avenue**  
**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 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 unit. 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.

*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.

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.

# City of Jackson, Michigan

## Notes To Financial Statements

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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, including undistributed tax collections, certain employee payroll withholdings and escrow accounts.

### **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.

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.

# City of Jackson, Michigan

## Notes To Financial Statements

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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.

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.

# City of Jackson, Michigan

## Notes To Financial Statements

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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 special revenue fund 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 special revenue fund 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 special revenue fund 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 were made during the year, the total of which was not significant in relation to the original appropriations.

#### ***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, 2006.

# 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>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
<b>General fund:</b>			
Legislative			
City Council	\$ 79,707	\$ 79,904	\$ 197
General government:			
City Manager	319,863	323,844	3,981
City Assessor	347,652	352,085	4,433
Purchasing	154,730	158,300	3,570
City Hall & Grounds	302,564	321,119	18,555
Cemeteries	379,248	436,047	56,799
Hearing Bureau	17,812	19,509	1,697
Public Safety – Fire Suppression	4,617,124	4,670,932	53,808
Community Enrichment – Planning	96,813	101,859	5,046
<b>Budget Stabilization</b>	48,000	57,851	9,851
<b>Recreation Millage</b>	238,136	239,833	1,697

### 2-C. Fund Deficit

At June 30, 2006, the Special Assessment Capital Projects Fund had a fund deficit of \$778,021. 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, 2006:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Assets:</b>			
Cash and cash equivalents	\$ 25,134,446	\$ 2,608,893	\$ 27,743,339
Investments	2,532,413	-	2,532,413
<b>Statement of Fiduciary Net Assets:</b>			
Cash and cash equivalents	111,732	-	111,732
Cash and cash equivalents – pension	3,002,051	-	3,002,051
Investments – pension	<u>63,799,013</u>	<u>-</u>	<u>63,799,013</u>
<b>Total</b>	<b><u>\$ 94,579,655</u></b>	<b><u>\$ 2,608,893</u></b>	<b><u>\$ 97,188,548</u></b>

# City of Jackson, Michigan

## Notes To Financial Statements

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### Deposits and Investments:

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 13,295,649
Investments in securities and mutual funds:	
Cash and investment pool	17,065,112
Pension trust funds	66,801,064
Cash on hand	<u>26,723</u>
<b>Total</b>	<b><u>\$ 97,188,548</u></b>

### Deposits and Investments – Cash and Investment Pool

*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, 2006, \$13,446,708 of the City's total bank balance of \$15,168,597 (total book balance was \$13,295,649) 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, 2006:

U.S. treasuries	\$ 652,363
U.S. agencies	2,670,504
Domestic corporate bonds	71,453
Domestic equities	13,945
Money markets	<u>13,656,847</u>
<b>Total</b>	<b><u>\$ 17,065,112</u></b>

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, 2006, 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.

# City of Jackson, Michigan

## Notes To Financial Statements

*Credit Risk* As of June 30, 2006, all of the City's investments in securities of U.S. agencies were rated AAA by Standard & Poor's; the investments in domestic corporate bonds were rated BB by Standard & Poor's. The City also 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.

*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, 2006, maturities of the City's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			More Than 10
		Less Than 1	1-5	6-10	
U.S. treasuries	\$ 652,363	\$ -	\$ 341,460	\$ 310,903	\$ -
U.S. agencies	2,670,504	2,057,081	613,423	-	-
Corporate bonds	71,453	-	-	71,453	-
	<u>\$ 3,394,320</u>	<u>\$ 2,057,081</u>	<u>\$ 954,883</u>	<u>\$ 382,356</u>	<u>\$ -</u>

The City assumes that its callable investments will not be called. The City's investment policy does not address interest rate risk.

### Deposits and Investments – Pension Trust Funds

The City maintains three 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 various financial institution or bank-administered trust funds. Following is a summary of the funds' investments as of June 30, 2006:

Investments at fair value, as determined by quoted market price:	
U.S. treasuries	\$ 2,098,528
U.S. agencies	1,232,828
Corporate bonds:	
Domestic	5,815,454
Domestic mutual funds	12,027,164
International	774,920
Equities:	
Domestic stocks	21,667,736
Domestic mutual funds	15,079,175
International stocks	1,242,528
International mutual funds	3,701,213
American depository receipts	<u>159,467</u>
<b>Total investments</b>	<b><u>\$ 63,799,013</u></b>

In addition to the above, the funds had short-term investments of \$3,002,051 as of June 30, 2006 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, 2006, 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	\$ 29,162
AA	201,985
A	2,144,001
BBB	2,004,856
BB	418,921
Not rated	<u>1,791,449</u>
	<b><u>\$ 6,590,374</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 each 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 each 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, 2006, 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, 2006, maturities of 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	\$ 2,098,528	\$ 965,178	\$ 273,456	\$ 550,726	\$ 309,168
U.S. agencies	1,232,828	14,963	685,719	386,214	145,932
Corporate bonds:					
Domestic	5,815,454	80,320	1,195,761	783,523	3,755,850
International	774,920	-	-	-	774,920
<b>Total debt securities</b>	<b><u>\$ 9,921,730</u></b>	<b><u>\$ 1,060,461</u></b>	<b><u>\$ 2,154,936</u></b>	<b><u>\$ 1,720,463</u></b>	<b><u>\$ 4,985,870</u></b>

The City assumes that its callable bonds totaling \$3,302,703 will not be called. The pension trust funds' investment policies do not address interest rate risk.

### 3-B. Receivables

Receivables in the governmental activities are 21 percent due from other governments, 17 percent accounts receivable, 28 percent income taxes, 14 percent special assessments, and 20 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 \$1,188,375 in long-term loans due from local businesses related to economic development projects, of which \$1,107,625 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)	\$ 783,825	\$ -	\$ 783,825
Grant/agreement drawdowns prior to meeting all eligibility requirements	-	113,751	113,751
Long-term loans receivable	<u>1,188,375</u>	<u>-</u>	<u>1,188,375</u>
	<b><u>\$1,972,200</u></b>	<b><u>\$ 113,751</u></b>	<b><u>\$ 2,085,951</u></b>

# City of Jackson, Michigan

## Notes To Financial Statements

### 3-C. Capital Assets

Capital assets activity of the primary government for the year ended June 30, 2006, was as follows:

<u>Governmental activities</u>	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2006</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 2,440,383	\$ -	\$ -	\$ 2,440,383
Construction in progress	8,754,988	-	8,754,988	-
<b>Total capital asset not being depreciated</b>	<b>11,195,371</b>	<b>-</b>	<b>8,754,988</b>	<b>2,440,383</b>
<b>Capital assets being depreciated</b>				
Infrastructure	107,905,803	2,395,781	-	110,301,584
Land improvements	15,744,431	-	-	15,744,431
Buildings and improvements	6,709,988	9,819,586	-	16,529,574
Park and recreation facilities	7,923,761	84,469	-	8,008,230
Machinery and equipment	10,679,462	844,498	360,610	11,163,350
<b>Total capital assets being depreciated</b>	<b>148,963,445</b>	<b>13,144,334</b>	<b>360,610</b>	<b>161,747,169</b>
<b>Accumulated depreciation</b>				
Infrastructure	74,205,711	2,132,847	453	76,338,105
Land improvements	313,921	314,889	-	628,810
Buildings and improvements	3,383,782	293,081	-	3,676,863
Park and recreation facilities	4,192,431	102,843	-	4,295,274
Machinery and equipment	8,403,041	526,041	360,700	8,568,382
<b>Total accumulated depreciation</b>	<b>90,498,886</b>	<b>3,369,701</b>	<b>361,153</b>	<b>93,507,434</b>
<b>Total capital assets being depreciated, net</b>	<b>58,464,559</b>	<b>9,774,633</b>	<b>(543)</b>	<b>68,239,735</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 69,659,930</b>	<b>\$ 9,774,633</b>	<b>\$ 8,754,445</b>	<b>\$ 70,680,118</b>

# City of Jackson, Michigan

## Notes To Financial Statements

<u>Business-type activities</u>	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2006</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 8,956,886	\$ -	\$ -	\$ 8,956,886
<b>Capital assets being depreciated</b>				
Systems	61,054,841	2,022,339	-	63,077,180
Land improvements	2,437,627	-	-	2,437,627
Buildings and improvements	12,741,667	58,282	-	12,799,949
Machinery and equipment	10,149,967	166,438	61,411	10,254,994
Total capital assets being depreciated	86,384,102	2,247,059	61,411	88,569,750
<b>Accumulated depreciation</b>				
Systems	29,320,742	1,514,111	-	30,834,853
Land improvements	500,379	80,797	-	581,176
Buildings and improvements	1,233,426	271,232	-	1,504,658
Machinery and equipment	7,121,770	314,617	61,411	7,374,976
Total accumulated depreciation	38,176,317	2,180,757	61,411	40,295,663
Total capital assets being depreciated , net	48,207,785	66,302	-	48,274,087
<b>Business-type activities capital assets, net</b>	<b>\$ 57,164,671</b>	<b>\$ 66,302</b>	<b>\$ -</b>	<b>\$ 57,230,973</b>

# 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	\$ 269,200
Public safety	221,987
Public works, including depreciation of general infrastructure assets	2,219,625
Culture and recreation	220,526
Community enrichment and development	291,821
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>146,542</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$3,369,701</u></b>
<b>Business-type activities:</b>	
Sewage	\$ 1,136,510
Water	716,408
Parking system	310,003
Golf practice center	<u>17,836</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 2,180,757</u></b>

### 3-D. Payables

Payables in the governmental activities are 25 percent vendors, 24 percent claims, 19 percent accrued payroll, 9 percent interest, 4 percent due to other governments, and 19 percent other. Business-type activities payables are 62 percent vendors, 18 percent deposits and 20 percent accrued payroll.

# City of Jackson, Michigan

## Notes To Financial Statements

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

At June 30, 2006, interfund receivables and payables were as follows:

Receivable	Payable		
	General Fund	Cemetery Perpetual Maintenance	Total
General fund	\$ -	\$ 24,984	\$ 24,984
City hall debt service	2,678	-	2,678
	<b>\$ 2,678</b>	<b>\$ 24,984</b>	<b>\$ 27,662</b>

At June 30, 2006, interfund advances were as follows:

Receivable	Payable					Total
	Community Development Block Grant	Ella W. Sharp Park Golf Practice Center	Special Assessment Capital Projects	Data Processing Equipment Fund		
General fund	\$ 100,000	\$ -	\$ -	\$ -	\$ -	100,000
Ella W. Sharp Park endowment	-	130,000	-	-	-	130,000
Workers' compensation	-	-	778,021	31,396	-	809,417
	<b>\$ 100,000</b>	<b>\$ 130,000</b>	<b>\$ 778,021</b>	<b>\$ 31,396</b>	<b>\$ -</b>	<b>\$ 1,039,417</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 and the data processing equipment fund.

# City of Jackson, Michigan

## Notes To Financial Statements

For the year ended June 30, 2006, interfund transfers consisted of the following:

<b>Transfer Out</b>	<b>Transfer In</b>			<b>Total</b>
	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Nonmajor Enterprise Funds</b>	
General fund	\$ -	\$ 769,762	\$ 16,353	\$ 786,115
Community development block grant	-	-	-	-
Special assessment capital projects	-	247,448	61,509	308,957
Nonmajor governmental funds	270,667	870,667	29,864	1,171,198
	<b>\$ 270,667</b>	<b>\$ 1,887,877</b>	<b>\$ 107,726</b>	<b>\$ 2,266,270</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:

<b>Purpose</b>	<b>Fiscal Year Due</b>	<b>Interest Rates</b>	<b>Amount</b>
<b>Governmental activities</b>			
1998 building authority limited tax	2013	4.50%	\$ 465,000
1999 building authority limited tax	2019	5.25%	475,000
1998 transportation fund	2008	4.50%	245,000
2001 downtown development	2026	3.70% - 5.75%	17,173,577
2002 brownfield redevelopment	2030	4.00% - 5.38%	18,500,000
2003 general obligation unlimited tax	2027	2.00% - 5.25%	8,140,000
2003 general obligation unlimited tax (B)	2027	3.00% - 4.70%	1,735,000
2003 transportation fund	2013	2.00% - 3.20%	1,530,000
			<b>\$ 48,263,577</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
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	1,660,000	1,734,094
2012-2016	9,869,125	8,322,805
2017-2021	11,422,892	12,346,819
2022-2026	13,901,560	13,840,618
2027-2030	6,715,000	745,325
	<b>\$ 48,263,577</b>	<b>\$ 44,455,777</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%	\$ 300,000
1999 water refunding	2016	3.50% - 4.60%	2,465,000
2000 sewer system	2015	4.75% - 5.35%	825,000
			<b>\$ 3,590,000</b>

Revenue bond debt service requirements to maturity are as follows:

Year	Business-type Activities	
	Principal	Interest
2007	\$ 400,000	\$ 163,373
2008	435,000	144,561
2009	295,000	128,248
2010	305,000	115,076
2011	315,000	101,302
2012-2016	1,840,000	261,318
	<b>\$ 3,590,000</b>	<b>\$ 913,876</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%	\$ 628,000
Section 108 loan – economic development	2021	3.66% -6.62%	960,000
2004 building and parking installment purchase contract	2009	3.75%	235,000
Municipal service contract – Nixon Park recreational improvements	2011	5.25%	<u>110,000</u>
			<b><u>\$ 1,933,000</u></b>
<b>Business activities</b>			
1997 installment purchase contract – purchase of parking lots	2011	4.69%	<b><u>\$ 400,000</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>
2007	\$ 304,000	\$ 14,588	\$ 50,000	\$ 17,588
2008	309,000	10,725	75,000	14,656
2009	314,000	6,675	75,000	11,139
2010	229,000	2,363	100,000	7,035
2011	142,000	1,313	100,000	2,345
2012-2016	325,000	-	-	-
2017-2021	310,000	-	-	-
	<b><u>\$ 1,933,000</u></b>	<b><u>\$ 35,663</u></b>	<b><u>\$ 400,000</u></b>	<b><u>\$ 52,763</u></b>

# City of Jackson, Michigan

## Notes To Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2006, 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	\$ 49,028,577	\$ -	\$ 765,000	\$ 48,263,577	\$ 915,000
Loans payable	1,797,000	-	209,000	1,588,000	209,000
Installment contracts	435,000	-	90,000	345,000	95,000
Compensated absences	2,075,439	1,738,173	1,611,235	2,202,377	169,632
	<b>\$ 53,336,016</b>	<b>\$ 1,738,173</b>	<b>\$ 2,675,235</b>	<b>\$ 52,398,954</b>	<b>\$ 1,388,632</b>
<b>Business-type activities</b>					
Revenue bonds	\$ 3,960,000	\$ -	\$ 370,000	\$ 3,590,000	\$ 400,000
Installment contracts	450,000	-	50,000	400,000	50,000
Compensated absences	298,082	241,921	210,499	329,504	31,723
	<b>\$ 4,708,082</b>	<b>\$ 241,921</b>	<b>\$ 630,499</b>	<b>\$ 4,319,504</b>	<b>\$ 481,723</b>

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 enterprise funds that account entirely for the government's water and sewer activities, 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, 2006, the net depreciation on investments of donor-restricted endowments was \$1,789. 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 \$1,109,891.

***Cemetery Perpetual Maintenance Permanent Trust Fund.*** For the year ended June 30, 2006, the net depreciation on investments of donor-restricted endowments was \$41,369. 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, there was no accumulated available net appreciation; the nonexpendable endowment balance is \$1,548,717.

# City of Jackson, Michigan

## Notes To Financial Statements

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### 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 as explained below.

In 1979, the City established a self-insurance program for workers' compensation, which is accounted for in the workers' compensation 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 \$785,852 reported in the workers' compensation internal service fund at June 30, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended, 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 claims liability is estimated by management based upon historical experience. No annuity contracts have been purchased for claims liabilities.

The change in the workers' compensation internal service fund liability amount for the years ended June 30, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Claims liability at beginning of fiscal year	\$ 512,007	\$ 421,990
Claims and changes in estimates	507,614	228,348
Claims payments	(233,769)	(138,331)
<b>Claims liability at June 30</b>	<b><u>\$ 785,852</u></b>	<b><u>\$ 512,007</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 July 1 based on the taxable value of the property as of the preceding December 31. Real and personal property in the City for the July 1, 2005 levy was assessed and valued at approximately \$604 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, 4.12 for Act 345 Pension, 0.75 for City Hall bond, 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 Environmental Quality has served the City, Jackson County and 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 in the City have real and personal property tax appeals filed with the Michigan Tax Tribunal. There is approximately \$1,300,000 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. Accordingly, no loss contingency liability has been recorded in the accompanying financial statements as of June 30, 2006.

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

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### 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 \$563,531 for governmental activities and \$41,270 for proprietary activities for the year ended June 30, 2006.

### 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	144	50	135
Terminated plan members entitled to, but not yet receiving benefits	13	-	2
Active plan members	220	-	110
<b>TOTAL</b>	<b>377</b>	<b>50</b>	<b>247</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, 2004 actuarial valuation using the entry age method. The actuarial assumptions included an 8% rate of return on investments, projected salary increases of 4.25% to 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, 2004 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, 2004 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% to 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**

<b><u>Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Actual Annual Contribution</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
<b><u>Employees’ Retirement System</u></b>				
6/30/04	\$ 398,583	\$ 398,583	100%	\$ -0-
6/30/05	486,147	486,147	100	-0-
6/30/06	605,771	605,771	100	-0-
<b><u>Policemen’s and Firemen’s Pension</u></b>				
6/30/04	\$ 301,041	\$ 301,041	100%	\$ -0-
6/30/05	528,199	528,199	100	-0-
6/30/06	806,276	806,276	100	-0-
<b><u>Policemen’s and Firemen’s Pension – Act 345</u></b>				
6/30/04	\$2,192,507	\$2,192,507	100%	\$ -0-
6/30/05	2,466,634	2,466,634	100	-0-
6/30/06	2,327,991	2,327,991	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, 2006

	<b>Employees' Retirement System</b>	<b>Policemen's and Firemen's Pension</b>	<b>Policemen's and Firemen's Pension - Act 345</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 656,272	\$ 441,288	\$ 1,904,491	\$ 3,002,051
Receivables:				
Interest and dividends	871	15,192	99,958	116,021
Other	-	7,840	277,024	284,864
Investments, at fair value:				
U.S. treasuries	-	225,774	1,872,754	2,098,528
U.S. agencies	-	143,594	1,089,234	1,232,828
Corporate bonds:				
Domestic	-	996,892	4,818,562	5,815,454
Domestic mutual funds	12,027,164	-	-	12,027,164
International	-	136,025	638,895	774,920
Equities:				
Domestic stocks	-	3,154,867	18,512,869	21,667,736
Domestic mutual funds	15,079,175	-	-	15,079,175
International stocks	-	563,048	679,480	1,242,528
International mutual funds	3,701,213	-	-	3,701,213
American depository receipts	-	-	159,467	159,467
Total investments	<u>30,807,552</u>	<u>5,220,200</u>	<u>27,771,261</u>	<u>63,799,013</u>
Total assets	<u>31,464,695</u>	<u>5,684,520</u>	<u>30,052,734</u>	<u>67,201,949</u>
<b>Liabilities</b>				
Refunds payable and other	<u>47,710</u>	<u>-</u>	<u>-</u>	<u>47,710</u>
<b>Net assets held in trust for pension benefits</b>	<u>\$ 31,416,985</u>	<u>\$ 5,684,520</u>	<u>\$ 30,052,734</u>	<u>\$ 67,154,239</u>

# City of Jackson, Michigan

## Notes To Financial Statements

### Statement of Changes in Plan Net Assets - Year Ended June 30, 2006

	<b>Employees' Retirement System</b>	<b>Policemen's and Firemen's Pension</b>	<b>Policemen's and Firemen's Pension - Act 345</b>	<b>Totals</b>
<b>Additions</b>				
Contributions:				
Employer	\$ 605,771	\$ 806,276	\$ 2,327,991	\$ 3,740,038
Plan member	459,850	-	738,794	1,198,644
	1,065,621	806,276	3,066,785	4,938,682
Investment income (loss):				
Net appreciation in fair value of investments	1,314,403	505,700	2,060,214	3,880,317
Interest	649,379	57,516	373,215	1,080,110
Dividends	29,120	45,773	232,085	306,978
	1,992,902	608,989	2,665,514	5,267,405
Less investment expense	23,023	6,467	203,896	233,386
Net investment income	1,969,879	602,522	2,461,618	5,034,019
Total additions	3,035,500	1,408,798	5,528,403	9,972,701
<b>Deductions</b>				
Benefits	1,932,424	1,291,296	2,834,473	6,058,193
Refunds of contributions	14,891	-	77,983	92,874
Administrative expense	106,965	50,770	35,115	192,850
Total deductions	2,054,280	1,342,066	2,947,571	6,343,917
<b>Net increase</b>	981,220	66,732	2,580,832	3,628,784
<b>Net assets held in trust for pension benefits</b>				
Beginning of year	30,435,765	5,617,788	27,471,902	63,525,455
<b>End of year</b>	\$ 31,416,985	\$ 5,684,520	\$ 30,052,734	\$ 67,154,239

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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	UAAAL as a % of Covered Payroll
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAAL)				
<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)	
2005	32,395	33,016	621	104.8	9,599,573	6.5	
<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	
2005	5,622	10,172	4,550	55.3	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	
2005	27,761	51,434	23,673	54.0	6,321,086	374.5	

# 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	
2006	5.9		605,771	605,771	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	
2006	n/a		806,276	806,276	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	
2006	41.9		2,327,991	2,327,991	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, 2005	June 30, 2005	June 30, 2005
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	5 years	11 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, 2006**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 3,621,071	\$ 32,366	\$ 1,582,912	\$ 1,933	\$ 5,238,282
Investments	-	-	-	2,532,413	2,532,413
Receivables, net:					
Accounts	162,939	-	37,623	-	200,562
Interest	-	-	-	19,246	19,246
Due from other governments	522,847	-	-	-	522,847
Due from other funds	-	2,678	-	-	2,678
Inventories	12,758	-	-	-	12,758
Long-term advance to other funds	-	-	-	130,000	130,000
<b>Total assets</b>	<b><u><u>\$ 4,319,615</u></u></b>	<b><u><u>\$ 35,044</u></u></b>	<b><u><u>\$ 1,620,535</u></u></b>	<b><u><u>\$ 2,683,592</u></u></b>	<b><u><u>\$ 8,658,786</u></u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 112,246	\$ -	\$ 93,490	\$ -	\$ 205,736
Accrued payroll	95,660	-	-	-	95,660
Due to other funds	-	-	-	24,984	24,984
Deferred revenue	83,414	-	17,482	-	100,896
<b>Total liabilities</b>	<b><u><u>291,320</u></u></b>	<b><u><u>-</u></u></b>	<b><u><u>110,972</u></u></b>	<b><u><u>24,984</u></u></b>	<b><u><u>427,276</u></u></b>
<b>Fund balances</b>					
Reserved for:					
Inventory	12,758	-	-	-	12,758
Perpetual care	-	-	-	1,548,717	1,548,717
Endowment	-	-	-	1,109,891	1,109,891
Unreserved :					
Designated for subsequent years expenditures	851,892	-	-	-	851,892
Undesignated	3,163,645	35,044	1,509,563	-	4,708,252
<b>Total fund balances</b>	<b><u><u>4,028,295</u></u></b>	<b><u><u>35,044</u></u></b>	<b><u><u>1,509,563</u></u></b>	<b><u><u>2,658,608</u></u></b>	<b><u><u>8,231,510</u></u></b>
<b>Total liabilities and fund balances</b>	<b><u><u>\$ 4,319,615</u></u></b>	<b><u><u>\$ 35,044</u></u></b>	<b><u><u>\$ 1,620,535</u></u></b>	<b><u><u>\$ 2,683,592</u></u></b>	<b><u><u>\$ 8,658,786</u></u></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, 2006**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Totals</u>
<b>Revenues</b>					
Property taxes	\$ 1,104,444	\$ 553,011	\$ 872,740	\$ -	\$ 2,530,195
Intergovernmental	4,590,357	-	-	-	4,590,357
Charges for services	1,450,227	1,203,129	-	28,820	2,682,176
Special assessments	-	20,176	-	-	20,176
Investment income	132,462	4,208	75,887	51,788	264,345
Miscellaneous	324,419	-	26,872	-	351,291
Total revenues	<u>7,601,909</u>	<u>1,780,524</u>	<u>975,499</u>	<u>80,608</u>	<u>10,438,540</u>
<b>Expenditures</b>					
Current:					
Public safety	822,636	-	-	-	822,636
Public works	4,799,928	-	-	-	4,799,928
Culture and recreation	1,206,965	-	-	-	1,206,965
Community enrichment and development	582,860	-	-	32,759	615,619
Capital outlay	161,063	-	1,295,010	-	1,456,073
Debt service:					
Principal retirement	90,000	974,000	-	-	1,064,000
Interest and fiscal charges	6,825	2,015,151	-	-	2,021,976
Total expenditures	<u>7,670,277</u>	<u>2,989,151</u>	<u>1,295,010</u>	<u>32,759</u>	<u>11,987,197</u>
Revenues over (under) expenditures	<u>(68,368)</u>	<u>(1,208,627)</u>	<u>(319,511)</u>	<u>47,849</u>	<u>(1,548,657)</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	13,416	-	-	-	13,416
Transfers in	1,346,460	1,226,395	(684,978)	-	1,887,877
Transfers out	(893,734)	(13,710)	(173,717)	(90,037)	(1,171,198)
Total other financing sources (uses)	<u>466,142</u>	<u>1,212,685</u>	<u>(858,695)</u>	<u>(90,037)</u>	<u>730,095</u>
Net change in fund balances	397,774	4,058	(1,178,206)	(42,188)	(818,562)
Fund balances, beginning of year	<u>3,630,521</u>	<u>30,986</u>	<u>2,687,769</u>	<u>2,700,796</u>	<u>9,050,072</u>
<b>Fund balances, end of year</b>	<u><u>\$ 4,028,295</u></u>	<u><u>\$ 35,044</u></u>	<u><u>\$ 1,509,563</u></u>	<u><u>\$ 2,658,608</u></u>	<u><u>\$ 8,231,510</u></u>

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

**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.

**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.

**Byrne/JAG Program Grants Fund** - This fund is used to account for the activity of a federal grant relating to drug enforcement.

**Waterfront Development Fund** - This fund is used to account for the activity of a federal grant relating to development along portions of the Grand River.

**Recreation Millage Fund** - This fund is used to account for certain property taxes collected by Jackson Public Schools and donated to the City for certain recreation purposes.

**City of Jackson, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2006**

	<u>Major Street</u>	<u>Local Street</u>	<u>Ella W. Sharp Park Operating</u>	<u>Land Acquisition</u>	<u>Housing Initiative</u>	<u>Public Improvement</u>
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Cash and cash equivalents	\$422,541	\$270,990	\$ 16,266	\$ 668	\$34,091	\$ 801,798
Accounts receivables, net	43,991	4,862	-	31,085	-	-
Due from other governments	325,000	99,258	-	-	-	-
Interfund receivables	-	-	-	-	-	147,305
Inventories	-	-	12,758	-	-	-
<b>Total assets</b>	<u>\$791,532</u>	<u>\$375,110</u>	<u>\$ 29,024</u>	<u>\$ 31,753</u>	<u>\$34,091</u>	<u>\$ 949,103</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 34,656	\$ 26,975	\$ 8,445	\$ 2,635	\$ 1,091	\$ -
Accrued payroll	17,533	15,903	18,119	-	-	-
Interfund payables	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<u>52,189</u>	<u>42,878</u>	<u>26,564</u>	<u>2,635</u>	<u>1,091</u>	<u>-</u>
<b>Fund balances</b>						
Reserved for inventory	-	-	12,758	-	-	-
Unreserved:						
Designated for subsequent year's expenditures	484,779	31,146	-	5,000	-	330,966
Undesignated (deficit)	254,564	301,086	(10,298)	24,118	33,000	618,137
<b>Total fund balances</b>	<u>739,343</u>	<u>332,232</u>	<u>2,460</u>	<u>29,118</u>	<u>33,000</u>	<u>949,103</u>
<b>Total liabilities and fund balances</b>	<u>\$791,532</u>	<u>\$375,110</u>	<u>\$ 29,024</u>	<u>\$ 31,753</u>	<u>\$34,091</u>	<u>\$ 949,103</u>

<u>Building Department</u>	<u>Budget Stabilization</u>	<u>Drug Law Enforcement</u>	<u>Local Law Enforcement Block Grant</u>	<u>LAWNET Grant</u>	<u>Recreation Activity</u>	<u>Community Development Home Grant</u>	<u>Employee Health Care</u>
\$ -	\$ 1,603,500	\$ 9,375	\$ 58	\$ -	\$ 52,500	\$ 100,570	\$ 264,296
83,001	-	-	-	-	-	-	-
-	-	-	-	12,005	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 83,001</u>	<u>\$ 1,603,500</u>	<u>\$ 9,375</u>	<u>\$ 58</u>	<u>\$ 12,005</u>	<u>\$ 52,500</u>	<u>\$ 100,570</u>	<u>\$ 264,296</u>
\$ 4,219	\$ -	\$ 260	\$ -	\$ -	\$ 78	\$ 17,156	\$ -
14,083	-	-	-	-	11,074	-	-
64,698	-	-	-	10,861	-	-	-
-	-	-	-	-	-	83,414	-
<u>83,000</u>	<u>-</u>	<u>260</u>	<u>-</u>	<u>10,861</u>	<u>11,152</u>	<u>100,570</u>	<u>-</u>
-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-
-	1,603,500	9,115	58	1,144	41,348	-	264,296
<u>1</u>	<u>1,603,500</u>	<u>9,115</u>	<u>58</u>	<u>1,144</u>	<u>41,348</u>	<u>-</u>	<u>264,296</u>
<u>\$ 83,001</u>	<u>\$ 1,603,500</u>	<u>\$ 9,375</u>	<u>\$ 58</u>	<u>\$ 12,005</u>	<u>\$ 52,500</u>	<u>\$ 100,570</u>	<u>\$ 264,296</u>

Continued...

# City of Jackson, Michigan

## Nonmajor Special Revenue Funds June 30, 2006

	Brownfield Assessment Grant	Byrne / JAG Program Grants	Waterfront Redevelopment	Recreation Millage	Totals
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 44,418	\$ 3,621,071
Accounts receivables, net	-	-	-	-	162,939
Due from other governments	5,580	66,896	14,108	-	522,847
Interfund receivables	-	-	-	-	147,305
Inventories, at cost	-	-	-	-	12,758
<b>Total assets</b>	<b>\$ 5,580</b>	<b>\$ 66,896</b>	<b>\$ 14,108</b>	<b>\$ 44,418</b>	<b>\$ 4,466,920</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 680	\$ -	\$ 14,108	\$ 1,943	\$ 112,246
Accrued payroll	-	-	-	18,948	95,660
Interfund payables	4,850	66,896	-	-	147,305
Deferred revenue	-	-	-	-	83,414
<b>Total liabilities</b>	<b>5,530</b>	<b>66,896</b>	<b>14,108</b>	<b>20,891</b>	<b>438,625</b>
<b>Fund balances</b>					
Reserved for inventory	-	-	-	-	12,758
Unreserved:					
Designated for subsequent year's expenditures	-	-	-	-	851,892
Undesignated (deficit)	50	-	-	23,527	3,163,645
<b>Total fund balances</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>23,527</b>	<b>4,028,295</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,580</b>	<b>\$ 66,896</b>	<b>\$ 14,108</b>	<b>\$ 44,418</b>	<b>\$ 4,466,920</b>

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Major Street</u>	<u>Local Street</u>	<u>Ella W. Sharp Park Operating</u>	<u>Land Acquisition</u>	<u>Housing Initiative</u>	<u>Public Improvement</u>
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,104,444
Intergovernmental	3,498,841	601,127	-	-	-	-
Charges for services	-	-	556,741	-	-	-
Investment income	-	2,276	403	11,165	2,533	39,151
Miscellaneous	162,649	1,044	-	-	-	-
Total revenues	<u>3,661,490</u>	<u>604,447</u>	<u>557,144</u>	<u>11,165</u>	<u>2,533</u>	<u>1,143,595</u>
<b>Expenditures</b>						
Current:						
Public safety	-	-	-	-	-	-
Public works	3,705,204	940,787	-	-	-	-
Culture and recreation	-	-	658,444	-	-	-
Community enrichment and development	-	-	-	-	172,199	137,402
Capital outlay	-	-	-	148,886	10,138	-
Debt service:						
Principal retirement	-	-	-	-	-	90,000
Interest expense	-	-	-	-	-	6,825
Total expenditures	<u>3,705,204</u>	<u>940,787</u>	<u>658,444</u>	<u>148,886</u>	<u>182,337</u>	<u>234,227</u>
Revenues over (under) expenditures	<u>(43,714)</u>	<u>(336,340)</u>	<u>(101,300)</u>	<u>(137,721)</u>	<u>(179,804)</u>	<u>909,368</u>
<b>Other financing sources (uses)</b>						
Proceeds from sale of capital assets	-	-	-	-	13,416	-
Transfers in	354,028	449,436	101,906	160,000	-	-
Transfers out	(419,503)	(12,222)	-	-	-	(343,790)
Total other financing sources (uses)	<u>(65,475)</u>	<u>437,214</u>	<u>101,906</u>	<u>160,000</u>	<u>13,416</u>	<u>(343,790)</u>
Net change in fund balances	(109,189)	100,874	606	22,279	(166,388)	565,578
Fund balances, beginning of year	<u>848,532</u>	<u>231,358</u>	<u>1,854</u>	<u>6,839</u>	<u>199,388</u>	<u>383,525</u>
<b>Fund balances, end of year</b>	<u><u>\$ 739,343</u></u>	<u><u>\$ 332,232</u></u>	<u><u>\$ 2,460</u></u>	<u><u>\$ 29,118</u></u>	<u><u>\$ 33,000</u></u>	<u><u>\$ 949,103</u></u>

<u>Building Department</u>	<u>Budget Stabilization</u>	<u>Drug Law Enforcement</u>	<u>Local Law Enforcement Block Grant</u>	<u>LAWNET Grant</u>	<u>Recreation Activity</u>	<u>Community Development Home Grant</u>	<u>Employee Health Care</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	28,808	57,159	-	183,588	-
391,075	-	-	-	-	275,295	-	-
7,621	57,851	327	(467)	2	2,299	-	9,204
-	-	71,055	-	-	-	89,671	-
<u>398,696</u>	<u>57,851</u>	<u>71,382</u>	<u>28,341</u>	<u>57,161</u>	<u>277,594</u>	<u>273,259</u>	<u>9,204</u>
584,468	-	6,883	47,298	117,091	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	308,688	-	-
-	-	-	-	-	-	273,259	-
-	-	-	2,039	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>584,468</u>	<u>-</u>	<u>6,883</u>	<u>49,337</u>	<u>117,091</u>	<u>308,688</u>	<u>273,259</u>	<u>-</u>
(185,772)	57,851	64,499	(20,996)	(59,930)	(31,094)	-	9,204
-	-	-	-	-	-	-	-
185,000	-	-	-	59,894	-	-	-
-	(57,851)	(59,894)	(474)	-	-	-	-
<u>185,000</u>	<u>(57,851)</u>	<u>(59,894)</u>	<u>(474)</u>	<u>59,894</u>	<u>-</u>	<u>-</u>	<u>-</u>
(772)	-	4,605	(21,470)	(36)	(31,094)	-	9,204
773	1,603,500	4,510	21,528	1,180	72,442	-	255,092
<u>\$ 1</u>	<u>\$ 1,603,500</u>	<u>\$ 9,115</u>	<u>\$ 58</u>	<u>\$ 1,144</u>	<u>\$ 41,348</u>	<u>\$ -</u>	<u>\$ 264,296</u>

Continued...

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances (Concluded)**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Brownfield Assessment Grant</u>	<u>Byrne / JAG Program Grant</u>	<u>Waterfront Redevelopment</u>	<u>Recreation Millage</u>	<u>Totals</u>
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,104,444
Intergovernmental	139,830	66,896	14,108	-	4,590,357
Charges for services	-	-	-	227,116	1,450,227
Investment income	49	-	-	48	132,462
Miscellaneous	-	-	-	-	324,419
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>139,879</u>	<u>66,896</u>	<u>14,108</u>	<u>227,164</u>	<u>7,601,909</u>
<b>Expenditures</b>					
Current:					
Public safety	-	66,896	-	-	822,636
Public works	139,829	-	14,108	-	4,799,928
Culture and recreation	-	-	-	239,833	1,206,965
Community enrichment and development	-	-	-	-	582,860
Capital outlay	-	-	-	-	161,063
Debt service:					
Principal retirement	-	-	-	-	90,000
Interest expense	-	-	-	-	6,825
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>139,829</u>	<u>66,896</u>	<u>14,108</u>	<u>239,833</u>	<u>7,670,277</u>
Revenues over (under) expenditures	<u>50</u>	<u>-</u>	<u>-</u>	<u>(12,669)</u>	<u>(68,368)</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	-	-	-	-	13,416
Transfers in	-	-	-	36,196	1,346,460
Transfers out	-	-	-	-	(893,734)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,196</u>	<u>466,142</u>
Net change in fund balances	50	-	-	23,527	397,774
Fund balances, beginning of year	-	-	-	-	3,630,521
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,527</u>	<u>\$ 4,028,295</u>

**City of Jackson, Michigan**  
**Major Street Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>		<b>Actual Over (Under) Final Budget</b>	<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Intergovernmental	\$ 4,421,155	\$ 3,498,841	\$ (922,314)	\$ 4,819,208
Miscellaneous	151,303	162,649	11,346	188,323
Total revenues	<u>4,572,458</u>	<u>3,661,490</u>	<u>(910,968)</u>	<u>5,007,531</u>
<b>Expenditures</b>				
Current - public works:				
Street construction	454,036	460,449	6,413	450,625
Street maintenance	623,421	538,709	(84,712)	549,501
Bridge maintenance	21,704	14,151	(7,553)	11,510
Bridge construction	77,557	63,291	(14,266)	127,251
Traffic services	578,290	543,355	(34,935)	518,087
Winter maintenance	318,828	247,354	(71,474)	273,140
Trunkline maintenance	212,643	117,646	(94,997)	183,479
State highway construction	2,566,312	1,765,549	(800,763)	3,519,347
Reimbursements	(45,000)	(45,300)	(300)	-
Total expenditures	<u>4,807,791</u>	<u>3,705,204</u>	<u>(1,102,587)</u>	<u>5,632,940</u>
Revenues over (under) expenditures	<u>(235,333)</u>	<u>(43,714)</u>	<u>191,619</u>	<u>(625,409)</u>
<b>Other financing sources (uses)</b>				
Transfers in	372,287	354,028	(18,259)	1,387,522
Transfers out	(419,503)	(419,503)	-	(416,418)
Total other financing sources (uses)	<u>(47,216)</u>	<u>(65,475)</u>	<u>(18,259)</u>	<u>971,104</u>
Net change in fund balances	(282,549)	(109,189)	173,360	345,695
Fund balance, beginning of year	<u>848,532</u>	<u>848,532</u>	<u>-</u>	<u>502,837</u>
<b>Fund balance, end of year</b>	<u><u>\$ 565,983</u></u>	<u><u>\$ 739,343</u></u>	<u><u>\$ 173,360</u></u>	<u><u>\$ 848,532</u></u>

**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, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>		<b>Actual Over (Under) Final Budget</b>	<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Intergovernmental	\$ 619,282	\$ 601,127	\$ (18,155)	\$ 609,745
Investment income	1,016	2,276	1,260	656
Miscellaneous	-	1,044	1,044	-
Total revenues	<u>620,298</u>	<u>604,447</u>	<u>(15,851)</u>	<u>610,401</u>
<b>Expenditures</b>				
Current - public works:				
Street construction	471,180	181,867	(289,313)	75,634
Street maintenance	691,934	634,575	(57,359)	536,233
Bridge maintenance	4,182	1,830	(2,352)	240
Bridge construction	1,156	-	(1,156)	-
Traffic services	59,470	58,220	(1,250)	36,643
Winter maintenance	155,486	89,860	(65,626)	159,856
Reimbursements	(136,000)	(25,565)	110,435	-
Total expenditures	<u>1,247,408</u>	<u>940,787</u>	<u>(306,621)</u>	<u>808,606</u>
Revenues over (under) expenditures	<u>(627,110)</u>	<u>(336,340)</u>	<u>290,770</u>	<u>(198,205)</u>
<b>Other financing sources (uses)</b>				
Transfers in	449,436	449,436	-	200,811
Transfers out	(12,222)	(12,222)	-	(12,398)
Total other financing sources (uses)	<u>437,214</u>	<u>437,214</u>	<u>-</u>	<u>188,413</u>
Net change in fund balances	(189,896)	100,874	290,770	(9,792)
Fund balance, beginning of year	<u>231,358</u>	<u>231,358</u>	<u>-</u>	<u>241,150</u>
<b>Fund balance, end of year</b>	<u><u>\$ 41,462</u></u>	<u><u>\$ 332,232</u></u>	<u><u>\$ 290,770</u></u>	<u><u>\$ 231,358</u></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, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>		<b>Actual Over (Under) Final Budget</b>	<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Charges for services	\$ 601,600	\$ 556,741	\$ (44,859)	\$ 538,031
Investment income	500	403	(97)	1,904
Total revenues	<u>602,100</u>	<u>557,144</u>	<u>(44,956)</u>	<u>539,935</u>
<b>Expenditures</b>				
Current - culture and recreation:				
Personal services	408,257	410,821	2,564	365,103
Materials and supplies	185,600	179,185	(6,415)	168,240
Contractual and other services	66,097	57,121	(8,976)	53,904
Capital outlay	<u>18,200</u>	<u>11,317</u>	<u>(6,883)</u>	<u>47,707</u>
Total expenditures	<u>678,154</u>	<u>658,444</u>	<u>(19,710)</u>	<u>634,954</u>
Revenues over (under) expenditures	(76,054)	(101,300)	(25,246)	(95,019)
<b>Other financing sources</b>				
Transfers in	<u>76,746</u>	<u>101,906</u>	<u>25,160</u>	<u>96,508</u>
Net change in fund balances	692	606	(86)	1,489
Fund balance, beginning of year	<u>1,854</u>	<u>1,854</u>	<u>-</u>	<u>365</u>
<b>Fund balance, end of year</b>	<u>\$ 2,546</u>	<u>\$ 2,460</u>	<u>\$ (86)</u>	<u>\$ 1,854</u>

**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, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>		<b>Actual Over (Under) Final Budget</b>	<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Investment income	\$ 165	\$ 165	-	190
Miscellaneous	11,000	11,000	-	100
Total revenues	<u>11,165</u>	<u>11,165</u>	<u>-</u>	<u>290</u>
<b>Expenditures</b>				
Capital outlay	150,000	148,886	(1,114)	8,752
Revenues over (under) expenditures	(138,835)	(137,721)	1,114	(8,462)
<b>Other financing sources (uses)</b>				
Transfers in	140,000	160,000	20,000	-
	1,165	22,279	21,114	(8,462)
Fund balance, beginning of year	<u>6,839</u>	<u>6,839</u>	<u>-</u>	<u>15,301</u>
<b>Fund balance, end of year</b>	<u><u>\$ 8,004</u></u>	<u><u>\$ 29,118</u></u>	<u><u>\$ 21,114</u></u>	<u><u>\$ 6,839</u></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, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>			<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	
<b>Revenues</b>				
Investment income	\$ 2,200	\$ 2,533	\$ 333	\$ 2,370
Other	-	-	-	1,000
Total revenues	<u>2,200</u>	<u>2,533</u>	<u>333</u>	<u>3,370</u>
<b>Expenditures</b>				
Current - community enrichment and development	178,988	172,199	(6,789)	31,542
Capital outlay	<u>11,900</u>	<u>10,138</u>	<u>(1,762)</u>	<u>42,259</u>
Total expenditures	<u>190,888</u>	<u>182,337</u>	<u>(8,551)</u>	<u>73,801</u>
Revenues over (under) expenditures	<u>(188,688)</u>	<u>(179,804)</u>	<u>8,884</u>	<u>(70,431)</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	12,780	13,416	636	54,270
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
Total other financing sources	<u>12,780</u>	<u>13,416</u>	<u>636</u>	<u>124,270</u>
Net change in fund balances	(175,908)	(166,388)	9,520	53,839
Fund balance, beginning of year	<u>199,388</u>	<u>199,388</u>	<u>-</u>	<u>145,549</u>
<b>Fund balance, end of year</b>	<u>\$ 23,480</u>	<u>\$ 33,000</u>	<u>\$ 9,520</u>	<u>\$ 199,388</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, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>		<b>Actual Over (Under) Final Budget</b>	<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Charges for services	\$ 393,800	\$ 391,075	\$ (2,725)	\$ 400,214
Investment income	7,000	7,621	621	2,797
Total revenues	<u>400,800</u>	<u>398,696</u>	<u>(2,104)</u>	<u>403,011</u>
<b>Expenditures</b>				
Current - public safety:				
Personal services	463,999	463,233	(766)	374,796
Materials and supplies	11,100	11,393	293	10,025
Inspection services	90,000	54,537	(35,463)	45,350
Contractual and other services	55,582	55,305	(277)	175,943
Total expenditures	<u>620,681</u>	<u>584,468</u>	<u>(36,213)</u>	<u>606,114</u>
Revenues over (under) expenditures	(219,881)	(185,772)	34,109	(203,103)
<b>Other financing sources</b>				
Transfers in	<u>220,000</u>	<u>185,000</u>	<u>(35,000)</u>	<u>175,000</u>
Net change in fund balances	119	(772)	(891)	(28,103)
Fund balance, beginning of year	<u>773</u>	<u>773</u>	<u>-</u>	<u>28,876</u>
<b>Fund balance, end of year</b>	<u><u>\$ 892</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ (891)</u></u>	<u><u>\$ 773</u></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, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>		<b>Actual Over (Under) Final Budget</b>	<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Property taxes	\$ 1,107,000	\$ 1,104,444	\$ (2,556)	\$ 1,071,838
Investment income	25,000	39,151	14,151	24,098
Total revenues	<u>1,132,000</u>	<u>1,143,595</u>	<u>11,595</u>	<u>1,095,936</u>
<b>Expenditures</b>				
Current - community enrichment and development	140,952	137,402	(3,550)	236,848
Debt service:				
Principal retirement	90,000	90,000	-	85,000
Interest	6,825	6,825	-	7,876
Total expenditures	<u>237,777</u>	<u>234,227</u>	<u>(3,550)</u>	<u>329,724</u>
Revenues over (under) expenditures	894,223	909,368	15,145	766,212
<b>Other financing sources (uses)</b>				
Transfers out	<u>(550,892)</u>	<u>(343,790)</u>	<u>207,102</u>	<u>(989,343)</u>
Net change in fund balances	343,331	565,578	222,247	(223,131)
Fund balance, beginning of year	<u>383,525</u>	<u>383,525</u>	<u>-</u>	<u>606,656</u>
<b>Fund balance, end of year</b>	<u><u>\$ 726,856</u></u>	<u><u>\$ 949,103</u></u>	<u><u>\$ 222,247</u></u>	<u><u>\$ 383,525</u></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, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<u>2006</u>			<u>2005</u> <u>Actual</u>
	<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Actual</u> <u>Over (Under)</u> <u>Final Budget</u>	
<b>Revenues</b>				
Investment income	\$ 48,000	\$ 57,851	\$ 9,851	\$ 11,158
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	1,000,000
Transfers out	(48,000)	(57,851)	(9,851)	(11,158)
Total other financing (uses)	(48,000)	(57,851)	(9,851)	988,842
Net change in fund balances	-	-	-	1,000,000
Fund balance, beginning of year	1,603,500	1,603,500	-	603,500
<b>Fund balance, end of year</b>	<u>\$ 1,603,500</u>	<u>\$ 1,603,500</u>	<u>\$ -</u>	<u>\$ 1,603,500</u>

**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, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>			<b>2005</b> <b>Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	
<b>Revenues</b>				
Investment income	\$ 375	\$ 327	\$ (48)	\$ 515
Miscellaneous:				
Sale of property	33,168	23,082	(10,086)	923
Other	35,978	47,973	11,995	27,536
Total revenues	<u>69,521</u>	<u>71,382</u>	<u>1,861</u>	<u>28,974</u>
<b>Expenditures</b>				
Current - public safety:				
Materials and supplies	513	513	-	-
Contractual and other services	7,012	6,369	(643)	5,561
Capital outlay	<u>-</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total expenditures	<u>7,525</u>	<u>6,883</u>	<u>(642)</u>	<u>5,562</u>
Revenues over (under) expenditures	61,996	64,499	2,503	23,412
<b>Other financing sources (uses)</b>				
Transfers out	<u>(61,996)</u>	<u>(59,894)</u>	<u>2,102</u>	<u>(65,123)</u>
Net change in fund balances	-	4,605	4,605	(41,711)
Fund balance, beginning of year	<u>4,510</u>	<u>4,510</u>	<u>-</u>	<u>46,221</u>
<b>Fund balance, end of year</b>	<u><u>\$ 4,510</u></u>	<u><u>\$ 9,115</u></u>	<u><u>\$ 4,605</u></u>	<u><u>\$ 4,510</u></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, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>		<b>Actual Over (Under) Final Budget</b>	<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Intergovernmental	\$ 28,808	\$ 28,808	\$ -	\$ 63,030
Investment income	(34)	(467)	(433)	1,582
Total revenues	<u>28,774</u>	<u>28,341</u>	<u>(433)</u>	<u>64,612</u>
<b>Expenditures</b>				
Current - public safety:				
Personal services	48,020	47,298	(722)	66,232
Capital outlay	1,751	2,039	288	2,357
Total expenditures	<u>49,771</u>	<u>49,337</u>	<u>(434)</u>	<u>68,589</u>
Revenues over (under) expenditures	(20,997)	(20,996)	1	(3,977)
<b>Other financing sources</b>				
Transfers out	(474)	(474)	-	3,675
Net change in fund balances	(21,471)	(21,470)	1	(302)
Fund balance, beginning of year	<u>21,528</u>	<u>21,528</u>	<u>-</u>	<u>21,830</u>
<b>Fund balance, end of year</b>	<u>\$ 57</u>	<u>\$ 58</u>	<u>\$ 1</u>	<u>\$ 21,528</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, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>		<b>Actual Over (Under) Final Budget</b>	<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Intergovernmental	\$ 57,693	\$ 57,159	\$ (534)	\$ 55,404
Investment income	<u>2</u>	<u>2</u>	<u>-</u>	<u>37</u>
Total revenues	<u>57,695</u>	<u>57,161</u>	<u>(534)</u>	<u>55,441</u>
<b>Expenditures :</b>				
Current - public safety:				
Personal services	116,090	115,875	(215)	118,871
Contractual and other services	<u>2,068</u>	<u>1,216</u>	<u>(852)</u>	<u>1,338</u>
Total expenditures	<u>118,158</u>	<u>117,091</u>	<u>(1,067)</u>	<u>120,209</u>
Revenues over (under) expenditures	<u>(60,463)</u>	<u>(59,930)</u>	<u>533</u>	<u>(64,768)</u>
<b>Other financing sources</b>				
Transfers in	<u>60,426</u>	<u>59,894</u>	<u>(532)</u>	<u>65,123</u>
Net change in fund balances	(37)	(36)	1	355
Fund balance, beginning of year	<u>1,180</u>	<u>1,180</u>	<u>-</u>	<u>825</u>
<b>Fund balance, end of year</b>	<u>\$ 1,143</u>	<u>\$ 1,144</u>	<u>\$ 1</u>	<u>\$ 1,180</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, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>			<b>2005</b> <b>Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	
<b>Revenues</b>				
Charges for services	\$ 323,000	\$ 275,295	\$ (47,705)	\$ 291,201
Investment income	1,000	2,299	1,299	1,504
Total revenues	<u>324,000</u>	<u>277,594</u>	<u>(46,406)</u>	<u>292,705</u>
<b>Expenditures</b>				
Current - culture and recreation:				
Personal services	130,772	133,847	3,075	119,551
Materials and supplies	53,000	30,599	(22,401)	39,380
Contractual and other services	<u>156,000</u>	<u>144,242</u>	<u>(11,758)</u>	<u>130,282</u>
Total expenditures	<u>339,772</u>	<u>308,688</u>	<u>(31,084)</u>	<u>289,213</u>
Net change in fund balances	(15,772)	(31,094)	(15,322)	3,492
Fund balance, beginning of year	<u>72,442</u>	<u>72,442</u>	<u>-</u>	<u>68,950</u>
<b>Fund balance, end of year</b>	<u><u>\$ 56,670</u></u>	<u><u>\$ 41,348</u></u>	<u><u>\$ (15,322)</u></u>	<u><u>\$ 72,442</u></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, 2006**

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>			<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	
<b>Revenues</b>				
Intergovernmental	\$ 800,724	\$ 183,588	\$ (617,136)	\$ 351,842
Miscellaneous	343,201	89,671	(253,530)	66,489
Total revenues	<u>1,143,925</u>	<u>273,259</u>	<u>(870,666)</u>	<u>418,331</u>
<b>Expenditures</b>				
Current - community enrichment and development:				
Rehabilitation assistance	432,098	31,996	(400,102)	186,889
Rental rehabilitation	26,230	-	(26,230)	-
Community housing development organizations	225,981	238,263	12,282	119,002
Administration and other	115,915	3,000	(112,915)	112,440
Total expenditures	<u>800,224</u>	<u>273,259</u>	<u>(526,965)</u>	<u>418,331</u>
Net change in fund balances	343,701	-	(343,701)	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 343,701</u>	<u>\$ -</u>	<u>\$ (343,701)</u>	<u>\$ -</u>

**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, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>			<b>2005</b> <b>Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	
<b>Revenues</b>				
Investment income	\$ 7,500	\$ 9,204	\$ 1,704	\$ 92
<b>Other financing sources</b>				
Transfers in	-	-	-	250,000
Net change in fund balances	7,500	9,204	1,704	250,092
Fund balance, beginning of year	255,092	255,092	-	5,000
<b>Fund balance, end of year</b>	<b>\$ 262,592</b>	<b>\$ 264,296</b>	<b>\$ 1,704</b>	<b>\$ 255,092</b>

**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, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>			<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	
<b>Revenues</b>				
Intergovernmental	\$ 195,577	\$ 139,830	\$ (55,747)	\$ 4,423
Investment income	-	49	49	-
Total revenues	<u>195,577</u>	<u>139,879</u>	<u>(55,698)</u>	<u>4,423</u>
<b>Expenditures</b>				
Current - public works:				
Materials and supplies	2,767	1,458	(1,309)	13
Contractual and other services	<u>192,810</u>	<u>138,371</u>	<u>(54,439)</u>	<u>4,410</u>
Total expenditures	<u>195,577</u>	<u>139,829</u>	<u>(55,748)</u>	<u>4,423</u>
Net change in fund balances	-	50	50	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ -</u></u>

**City of Jackson, Michigan**  
**Byrne / JAG Programs Grant Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<u>2006</u>			<u>2005</u> <u>Actual</u>
	<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Actual</u> <u>Over (Under)</u> <u>Final Budget</u>	
<b>Revenues</b>				
Intergovernmental	\$ 66,896	\$ 66,896	\$ -	\$ -
<b>Expenditures :</b>				
Current - public safety:				
Contractual and other services	<u>66,896</u>	<u>66,896</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**City of Jackson, Michigan**  
**Waterfront Redevelopment Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>			<b>2005</b> <b>Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	
<b>Revenues</b>				
Intergovernmental	\$ 56,151	\$ 14,108	\$ (42,043)	\$ -
<b>Expenditures</b>				
Current - public works:				
Contractual and other services	<u>56,151</u>	<u>14,108</u>	<u>(42,043)</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**City of Jackson, Michigan**  
**Recreation Millage Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2005

	<b>2006</b>		<b>Actual Over (Under) Final Budget</b>	<b>2005 Actual</b>
	<b>Amended Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Charges for services	\$ 228,136	\$ 227,116	\$ (1,020)	\$ -
Investment income	-	48	48	-
Total revenues	<u>228,136</u>	<u>227,164</u>	<u>(972)</u>	<u>-</u>
<b>Expenditures</b>				
Current - culture and recreation:				
Personal services	145,637	134,037	(11,600)	-
Materials and supplies	60,399	78,598	18,199	-
Contractual and other services	<u>32,100</u>	<u>27,198</u>	<u>(4,902)</u>	<u>-</u>
Total expenditures	<u>238,136</u>	<u>239,833</u>	<u>1,697</u>	<u>-</u>
Revenues over (under) expenditures	(10,000)	(12,669)	(2,669)	-
<b>Other financing sources</b>				
Transfers in	<u>36,196</u>	<u>36,196</u>	<u>-</u>	<u>-</u>
Net change in fund balances	26,196	23,527	(2,669)	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 26,196</u></u>	<u><u>\$ 23,527</u></u>	<u><u>\$ (2,669)</u></u>	<u><u>\$ -</u></u>

# 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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**2003 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 sal 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.

**2002 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.

**1996 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  
Combining Balance Sheet  
Nonmajor Debt Service Funds  
June 30, 2006**

	<u>2003 City Hall Construction</u>	<u>Michigan Urban Land Assembly Loan</u>	<u>1998 Michigan Transportation Fund</u>	<u>2003 MTF Bond</u>	<u>Building Authority</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 26,098	\$ -	\$ 7	\$ -	\$ 3,351
Due from other funds	<u>2,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 28,776</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,351</u></u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>					
Unreserved, undesignated	<u>28,776</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>3,351</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 28,776</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,351</u></u>

<u>2001</u> <u>DDA TIF</u>	<u>2002</u> <u>BRA TIF</u>	<u>Section 108</u> <u>Loan</u>	<u>1996</u> <u>Special</u> <u>Assessment</u> <u>Bond</u>	<u>Totals</u>
\$ 637	\$ 2,273	\$ -	\$ -	\$ 32,366
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,678</u>
<u>\$ 637</u>	<u>\$ 2,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,044</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>637</u>	<u>2,273</u>	<u>-</u>	<u>-</u>	<u>35,044</u>
<u>\$ 637</u>	<u>\$ 2,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,044</u>

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**  
**For the Fiscal Year Ended June 30, 2006**

	2003 City Hall Construction	Michigan Urban Land Assembly Loan	1998 Michigan Transportation Fund	2003 MTF Bond	Building Authority
<b>Revenues</b>					
Property taxes	\$ 553,011	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	125,964
Special assessments	-	-	-	-	-
Investment income	4,154	-	-	-	-
Total revenues	<u>557,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,964</u>
<b>Expenditures</b>					
Debt service:					
Principal retirement	115,000	144,000	110,000	110,000	75,000
Interest and fiscal charges	431,898	-	13,950	42,775	50,964
Total expenditures	<u>546,898</u>	<u>144,000</u>	<u>123,950</u>	<u>152,775</u>	<u>125,964</u>
Revenues over (under) expenditures	<u>10,267</u>	<u>(144,000)</u>	<u>(123,950)</u>	<u>(152,775)</u>	<u>-</u>
<b>Other financing sources</b>					
Transfers in	-	144,000	123,950	152,775	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>144,000</u>	<u>123,950</u>	<u>152,775</u>	<u>-</u>
Net change in fund balances	10,267	-	-	-	-
Fund balances, beginning of year	<u>18,509</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>3,351</u>
<b>Fund balances, end of year</b>	<u><u>\$ 28,776</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,351</u></u>

<u>2001</u> <u>DDA TIF</u>	<u>2002</u> <u>BRA TIF</u>	<u>Section 108</u> <u>Loan</u>	<u>1996</u> <u>Special</u> <u>Assessment</u> <u>Bond</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 553,011
-	952,860	124,305	-	1,203,129
-	-	-	20,176	20,176
-	54	-	-	4,208
<u>-</u>	<u>952,914</u>	<u>124,305</u>	<u>20,176</u>	<u>1,780,524</u>
355,000	-	65,000	-	974,000
<u>460,790</u>	<u>955,469</u>	<u>59,305</u>	<u>-</u>	<u>2,015,151</u>
<u>815,790</u>	<u>955,469</u>	<u>124,305</u>	<u>-</u>	<u>2,989,151</u>
<u>(815,790)</u>	<u>(2,555)</u>	<u>-</u>	<u>20,176</u>	<u>(1,208,627)</u>
805,670	-	-	-	1,226,395
<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,710)</u>	<u>(13,710)</u>
<u>805,670</u>	<u>-</u>	<u>-</u>	<u>(13,710)</u>	<u>1,212,685</u>
(10,120)	(2,555)	-	6,466	4,058
<u>10,757</u>	<u>4,828</u>	<u>-</u>	<u>(6,466)</u>	<u>30,986</u>
<u>\$ 637</u>	<u>\$ 2,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,044</u>

# 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.

**2003 City Hall Construction 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.

**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  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2006**

	<u>Capital Projects</u>	<u>2003 City Hall Construction</u>	<u>Downtown Development Authority Project</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 16,865	\$ 149,423	\$ 1,416,624	\$ 1,582,912
Accounts receivable	<u>37,623</u>	<u>-</u>	<u>-</u>	<u>37,623</u>
<b>Total assets</b>	<b><u>\$ 54,488</u></b>	<b><u>\$ 149,423</u></b>	<b><u>\$ 1,416,624</u></b>	<b><u>\$ 1,620,535</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,726	\$ 89,876	\$ 1,888	\$ 93,490
Deferred revenue	<u>17,482</u>	<u>-</u>	<u>-</u>	<u>17,482</u>
<b>Total liabilities</b>	19,208	89,876	1,888	110,972
<b>Fund balances</b>				
Unreserved, undesignated	<u>35,280</u>	<u>59,547</u>	<u>1,414,736</u>	<u>1,509,563</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 54,488</u></b>	<b><u>\$ 149,423</u></b>	<b><u>\$ 1,416,624</u></b>	<b><u>\$ 1,620,535</u></b>

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Capital Projects</u>	<u>2003 City Hall Construction</u>	<u>Downtown Development Authority Project</u>	<u>Totals</u>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 872,740	\$ 872,740
Donations	3,430	23,442	-	26,872
Investment income	-	22,587	53,300	75,887
Total revenues	<u>3,430</u>	<u>46,029</u>	<u>926,040</u>	<u>975,499</u>
<b>Expenditures</b>				
Capital outlay:				
General government	-	1,064,689	-	1,064,689
Community enrichment & development	124,067	-	106,254	230,321
Total expenditures	<u>124,067</u>	<u>1,064,689</u>	<u>106,254</u>	<u>1,295,010</u>
Revenues over (under) expenditures	<u>(120,637)</u>	<u>(1,018,660)</u>	<u>819,786</u>	<u>(319,511)</u>
<b>Other financing sources (uses)</b>				
Transfers in	120,692	-	(805,670)	(684,978)
Transfers out	-	-	(173,717)	(173,717)
Total other financing sources (uses)	<u>120,692</u>	<u>-</u>	<u>(979,387)</u>	<u>(858,695)</u>
Net change in fund balances	55	(1,018,660)	(159,601)	(1,178,206)
Fund balances, beginning of year	<u>35,225</u>	<u>1,078,207</u>	<u>1,574,337</u>	<u>2,687,769</u>
<b>Fund balances, end of year</b>	<u><u>\$ 35,280</u></u>	<u><u>\$ 59,547</u></u>	<u><u>\$ 1,414,736</u></u>	<u><u>\$ 1,509,563</u></u>

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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  
Combining Balance Sheet  
Nonmajor Permanent Funds  
June 30, 2006**

	<u>Ella W. Sharp Park Endowment</u>	<u>Cuiss Endowment</u>	<u>Cemetery Perpetual Maintenance</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,660	\$ -	\$ 273	\$ 1,933
Investments	978,231	-	1,554,182	2,532,413
Interest receivable	-	-	19,246	19,246
Long-term advance to other funds	130,000	-	-	130,000
<b>Total assets</b>	<b>\$ 1,109,891</b>	<b>\$ -</b>	<b>\$ 1,573,701</b>	<b>\$ 2,683,592</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ 24,984	\$ 24,984
<b>Fund balances</b>				
Reserved for :				
Perpetual care	-	-	1,548,717	1,548,717
Endowment principal	1,109,891	-	-	1,109,891
<b>Total fund balances</b>	<b>1,109,891</b>	<b>-</b>	<b>1,548,717</b>	<b>2,658,608</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,109,891</b>	<b>\$ -</b>	<b>\$ 1,573,701</b>	<b>\$ 2,683,592</b>

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<b>Ella W. Sharp Park Endowment</b>	<b>Cuiss Endowment</b>	<b>Cemetery Perpetual Maintenance</b>	<b>Totals</b>
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 28,820	\$ 28,820
Investment income	37,675	147	13,966	51,788
Total revenues	37,675	147	42,786	80,608
<b>Expenditures</b>				
	-	25,000	7,759	32,759
Revenues over (under) expenditures	37,675	(24,853)	35,027	47,849
<b>Other financing uses</b>				
Transfers out	(34,906)	(147)	(54,984)	(90,037)
Net change in fund balances	2,769	(25,000)	(19,957)	(42,188)
Fund balances, beginning of year	1,107,122	25,000	1,568,674	2,700,796
<b>Fund balances, end of year</b>	<b>\$ 1,109,891</b>	<b>\$ -</b>	<b>\$ 1,548,717</b>	<b>\$ 2,658,608</b>

# 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**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**June 30, 2006**

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Totals
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 109,856	\$ 316,923	\$ 426,779
Interfund receivable	-	-	5,164	5,164
Total current assets	<u>-</u>	<u>109,856</u>	<u>322,087</u>	<u>431,943</u>
Noncurrent assets:				
Capital assets not being depreciated	-	1,682,727	-	1,682,727
Capital assets being depreciated, net	160,522	308,282	-	468,804
Total noncurrent assets	<u>160,522</u>	<u>1,991,009</u>	<u>-</u>	<u>2,151,531</u>
<b>Total assets</b>	<u>160,522</u>	<u>2,100,865</u>	<u>322,087</u>	<u>2,583,474</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	38	-	691	729
Accrued payroll	2,294	86	1,316	3,696
Interfund payable	5,164	-	-	5,164
Installment purchase contract payable	-	50,000	-	50,000
Total current liabilities	<u>7,496</u>	<u>50,086</u>	<u>2,007</u>	<u>59,589</u>
Noncurrent liabilities:				
Long term advance from other funds	130,000	-	-	130,000
Installment purchase contract payable	-	350,000	-	350,000
Total non-current liabilities	<u>130,000</u>	<u>350,000</u>	<u>-</u>	<u>480,000</u>
<b>Total liabilities</b>	<u>137,496</u>	<u>400,086</u>	<u>2,007</u>	<u>539,589</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	160,522	1,591,009	-	1,751,531
Unrestricted	<u>(137,496)</u>	<u>109,770</u>	<u>320,080</u>	<u>292,354</u>
<b>Total net assets</b>	<u>\$ 23,026</u>	<u>\$ 1,700,779</u>	<u>\$ 320,080</u>	<u>\$ 2,043,885</u>

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Ella W. Sharp Park Golf Practice Center</u>	<u>Automobile Parking System</u>	<u>Parking Assessment</u>	<u>Totals</u>
<b>Operating revenues</b>				
Charges for sales and services	\$ 51,154	\$ 71,781	\$ 56,158	\$ 179,093
<b>Operating expenses</b>				
Personal services	44,651	5,736	45,833	96,220
Materials and supplies	1,069	1,159	-	2,228
Contractual and other services	5,445	12,031	72,826	90,302
Depreciation	17,836	47,060	-	64,896
Total operating expenses	69,001	65,986	118,659	253,646
Operating income (loss)	(17,847)	5,795	(62,501)	(74,553)
<b>Non-operating revenues (expenses)</b>				
Investment income	19	2,294	11,433	13,746
Interest and fiscal charges	(3,500)	(19,941)	-	(23,441)
Total non-operating revenues (expenses)	(3,481)	(17,647)	11,433	(9,695)
Income (loss) before transfers	(21,328)	(11,852)	(51,068)	(84,248)
<b>Transfers in</b>	147	29,717	77,862	107,726
Change in net assets	(21,181)	17,865	26,794	23,478
Net assets, beginning of year	44,207	1,682,914	293,286	2,020,407
<b>Net assets, end of year</b>	<u>\$ 23,026</u>	<u>\$ 1,700,779</u>	<u>\$ 320,080</u>	<u>\$ 2,043,885</u>

**City of Jackson, Michigan**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2006**

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Totals
<b>Cash flows from operating activities</b>				
Payments to employees	\$ (44,651)	\$ (5,736)	\$ (45,833)	\$ (96,220)
Payments to vendors and claimants	(15,841)	(13,238)	(72,600)	(101,679)
Receipts from customers and users	51,776	71,781	50,994	174,551
Net cash provided by (used in) operating activities	<u>(8,716)</u>	<u>52,807</u>	<u>(67,439)</u>	<u>( 23,348)</u>
<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	<u>(3,500)</u>	<u>(19,941)</u>	<u>-</u>	<u>( 23,441)</u>
Net cash used in capital and related financing activities	<u>(3,500)</u>	<u>(69,941)</u>	<u>-</u>	<u>( 73,441)</u>
<b>Cash flows from non-capital financing activities</b>				
Transfer in	<u>147</u>	<u>29,717</u>	<u>77,862</u>	<u>107,726</u>
<b>Cash flows from investing activities</b>				
Interest received on investments	<u>19</u>	<u>2,294</u>	<u>11,433</u>	<u>13,746</u>
Net increase (decrease) in cash and cash equivalents	(12,050)	14,877	21,856	24,683
Cash and cash equivalents, beginning of year	<u>12,050</u>	<u>94,979</u>	<u>295,067</u>	<u>402,096</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 109,856</u></u>	<u><u>\$ 316,923</u></u>	<u><u>\$ 426,779</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (17,847)	\$ 5,795	\$ (62,501)	\$ (74,553)
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:				
Interfund receivable	-	-	(5,164)	(5,164)
Due from other funds	622	-	-	622
Increase (decrease) in:				
Accounts payable	(4,161)	(48)	419	(3,790)
Accrued payroll	(330)	-	(193)	(523)
Interfund payable	5,164	-	-	5,164
Advance from other funds	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (8,716)</u></u>	<u><u>\$ 52,807</u></u>	<u><u>\$ (67,439)</u></u>	<u><u>\$ (23,348)</u></u>

# 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.

**Prescription Drug Fund** - This fund is used to record the activity of the City's prescription drug program. Revenues are supplied by charged to various City funds.

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

**Equipment Revolving Fund** - This fund is used to account for the purchase and use of certain equipment.

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

**City of Jackson, Michigan**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2006**

	<u>Workers'</u> <u>Compensation</u>	<u>Motor Pool</u> <u>and Garage</u>	<u>Prescription</u> <u>Drug</u>	<u>Public Works</u> <u>Administration</u>	<u>Equipment</u> <u>Revolving</u>	<u>Engineering</u> <u>Administration</u>	<u>Totals</u>
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 1,326,217	\$ 1,209,396	\$ -	\$ 112,419	\$ -	\$ 126,316	\$ 2,774,348
Accounts receivable	-	-	217,356	137,532	-	-	354,888
Interfund receivable	-	134,677	-	-	-	-	134,677
Prepaid items	46,000	-	-	-	-	-	46,000
Total current assets	<u>1,372,217</u>	<u>1,344,073</u>	<u>217,356</u>	<u>249,951</u>	<u>-</u>	<u>126,316</u>	<u>3,309,913</u>
Noncurrent assets:							
Long-term advances from other funds	809,417	-	-	-	-	-	809,417
Capital assets being depreciated, net	-	757,106	-	-	31,396	-	788,502
Total noncurrent assets	<u>809,417</u>	<u>757,106</u>	<u>-</u>	<u>-</u>	<u>31,396</u>	<u>-</u>	<u>1,597,919</u>
<b>Total assets</b>	<u>2,181,634</u>	<u>2,101,179</u>	<u>217,356</u>	<u>249,951</u>	<u>31,396</u>	<u>126,316</u>	<u>4,907,832</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	28,022	122,965	70,013	9,491	-	2,329	232,820
Accrued payroll	-	11,276	-	12,051	-	5,740	29,067
Interfund payable	-	-	134,677	-	-	-	134,677
Accrued compensated absences	-	-	-	11,614	-	3,135	14,749
Total current liabilities	<u>28,022</u>	<u>134,241</u>	<u>204,690</u>	<u>33,156</u>	<u>-</u>	<u>11,204</u>	<u>411,313</u>
Noncurrent liabilities:							
Long-term advance from other funds	-	-	-	-	31,396	-	31,396
Accrued compensated absences	-	-	-	62,916	-	34,866	97,782
Estimated claims payable	785,852	-	-	-	-	-	785,852
Total noncurrent liabilities	<u>785,852</u>	<u>-</u>	<u>-</u>	<u>62,916</u>	<u>31,396</u>	<u>34,866</u>	<u>915,030</u>
<b>Total liabilities</b>	<u>813,874</u>	<u>134,241</u>	<u>204,690</u>	<u>96,072</u>	<u>31,396</u>	<u>46,070</u>	<u>1,326,343</u>
<b>Net assets</b>							
Investment in capital assets, net of related debt	-	757,106	-	-	-	-	757,106
Unrestricted	<u>1,367,760</u>	<u>1,209,832</u>	<u>12,666</u>	<u>153,879</u>	<u>-</u>	<u>80,246</u>	<u>2,824,383</u>
<b>Total net assets</b>	<u>\$ 1,367,760</u>	<u>\$ 1,966,938</u>	<u>\$ 12,666</u>	<u>\$ 153,879</u>	<u>\$ -</u>	<u>\$ 80,246</u>	<u>\$ 3,581,489</u>

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Workers'</u> <u>Compensation</u>	<u>Motor Pool</u> <u>and Garage</u>	<u>Prescription</u> <u>Drug</u>	<u>Public Works</u> <u>Administration</u>	<u>Equipment</u> <u>Revolving</u>	<u>Engineering</u> <u>Administration</u>	<u>Totals</u>
<b>Operating revenues</b>							
Charges for services:							
Equipment rentals	\$ -	\$1,028,598	\$ 167,467	\$ 487,967	\$ 5,714	\$ 339,975	\$ 2,029,721
Services rendered	245,099	-	-	-	-	-	245,099
Miscellaneous	174,969	188,943	-	66	-	250	364,228
Total operating revenues	<u>420,068</u>	<u>1,217,541</u>	<u>167,467</u>	<u>488,033</u>	<u>5,714</u>	<u>340,225</u>	<u>2,639,048</u>
<b>Operating expenses</b>							
Personal services	-	312,334	-	487,289	-	270,299	1,069,922
Administration	-	-	-	80,484	-	83,782	164,266
Materials and supplies	-	331,739	-	-	-	-	331,739
Contractual and other services	6,736	239,317	154,801	-	-	-	400,854
Benefit payments:							
Claims	507,614	-	-	-	-	-	507,614
Fees and reinsurance	73,327	-	-	-	-	-	73,327
Equipment	-	4,713	-	-	-	-	4,713
Depreciation	-	140,828	-	-	5,714	-	146,542
Total operating expenses	<u>587,677</u>	<u>1,028,931</u>	<u>154,801</u>	<u>567,773</u>	<u>5,714</u>	<u>354,081</u>	<u>2,698,977</u>
Operating income (loss)	(167,609)	188,610	12,666	(79,740)	-	(13,856)	(59,929)
<b>Non-operating revenues</b>							
Investment income	112,072	47,154	-	15,380	-	4,697	179,303
Change in net assets	(55,537)	235,764	12,666	(64,360)	-	(9,159)	119,374
<b>Net assets, beginning of year</b>	<u>1,423,297</u>	<u>1,731,174</u>	<u>-</u>	<u>218,239</u>	<u>-</u>	<u>89,405</u>	<u>3,462,115</u>
<b>Net assets, end of year</b>	<u>\$ 1,367,760</u>	<u>\$1,966,938</u>	<u>\$ 12,666</u>	<u>\$ 153,879</u>	<u>\$ -</u>	<u>\$ 80,246</u>	<u>\$ 3,581,489</u>

**City of Jackson, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Workers'</u> <u>Compensation</u>	<u>Motor Pool</u> <u>and Garage</u>	<u>Prescription</u> <u>Drug</u>	<u>Public Works</u> <u>Administration</u>	<u>Equipment</u> <u>Revolving</u>	<u>Engineering</u> <u>Administration</u>	<u>Totals</u>
<b>Cash flows from operating activities</b>							
Payments to employees	\$ -	\$ (307,971)	\$ -	\$ (480,635)	\$ -	\$ (266,565)	\$ (1,055,171)
Payments to vendors and claimants	(300,115)	(475,988)	(84,788)	(120,176)	-	(93,073)	(1,074,140)
Receipts for interfund services provided	420,068	1,082,864	84,788	455,689	5,714	340,225	2,389,348
Net cash provided by (used in) operating activities	<u>119,953</u>	<u>298,905</u>	<u>-</u>	<u>(145,122)</u>	<u>5,714</u>	<u>(19,413)</u>	<u>260,037</u>
<b>Cash flows from capital and related financing activities</b>							
Purchase of capital assets	-	(387,654)	-	-	(5,714)	-	(393,368)
Principal and interest repaid on advances	(3,951)	-	-	-	-	-	(3,951)
Net cash used in capital and related financing activities	<u>(3,951)</u>	<u>(387,654)</u>	<u>-</u>	<u>-</u>	<u>(5,714)</u>	<u>-</u>	<u>(397,319)</u>
<b>Cash flows from investing activities</b>							
Interest received on investments	112,072	47,154	-	15,380	-	4,697	179,303
Net increase (decrease) in cash and cash equivalents	228,074	(41,595)	-	(129,742)	-	(14,716)	42,021
Cash and cash equivalents, beginning of year	1,098,143	1,250,991	-	242,161	-	141,032	2,732,327
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,326,217</u>	<u>\$ 1,209,396</u>	<u>\$ -</u>	<u>\$ 112,419</u>	<u>\$ -</u>	<u>\$ 126,316</u>	<u>\$ 2,774,348</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>							
Operating income (loss)	\$ (167,609)	\$ 188,610	\$ 12,666	\$ (79,740)	\$ -	\$ (13,856)	\$ (59,929)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	-	140,828	-	-	5,714	-	146,542
(Increase) decrease in:							
Accounts receivable	-	-	(217,356)	(32,344)	-	-	(249,700)
Interfund receivable	-	(134,677)	-	-	-	-	(134,677)
Increase (decrease) in:							
Accounts payable	13,717	99,781	70,013	(39,692)	-	(9,291)	134,528
Accrued payroll	-	4,363	-	(3,542)	-	(325)	496
Interfund payable	-	-	134,677	-	-	-	134,677
Accrued compensated absences	-	-	-	10,196	-	4,059	14,255
Estimated claims payable	273,845	-	-	-	-	-	273,845
Net cash provided by (used in) operating activities	<u>\$ 119,953</u>	<u>\$ 298,905</u>	<u>\$ -</u>	<u>\$ (145,122)</u>	<u>\$ 5,714</u>	<u>\$ (19,413)</u>	<u>\$ 260,037</u>

# 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 Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2006**

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<b>Payroll Clearing Account</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 17,019	\$ -	\$ 17,019	\$ -
	\$ 17,019	\$ -	\$ 17,019	\$ -
<b>Liabilities</b>				
Accounts payable	\$ (3,242)	\$ -	\$ (3,242)	\$ -
Due to other government units	20,261	27,700,365	27,720,626	-
	\$ 17,019	\$ 27,700,365	\$ 27,717,384	\$ -
<b>Jeopardy Tax Fund</b>				
<b>Assets</b>				
Pooled cash and cash equivalents	\$ 2,410	\$ 5,870	\$ 5,871	\$ 2,409
<b>Liabilities</b>				
Due to other governmental units	\$ 2,410	\$ 5,870	\$ 5,871	\$ 2,409
<b>County &amp; School Tax Collection Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,961,505	\$ 33,283,797	\$ 35,231,382	\$ 13,920
Taxes receivable - real	-	32,489,558	32,489,558	-
	\$ 1,961,505	\$ 65,773,355	\$ 67,720,940	\$ 13,920
<b>Liabilities</b>				
Due to other governmental units :				
Undistributed tax collections :				
Jackson County	\$ -	\$ 3,726,687	\$ 3,726,687	\$ -
Jackson Public Schools	-	7,501,174	7,501,174	-
Northwest Schools	-	20,661	20,661	-
Michigan Center Schools	-	90,980	90,980	-
East Jackson Schools	-	6,551	6,551	-
Jackson Intermediate School District	-	4,453,232	4,453,232	-
Jackson Community College	-	642,228	642,228	-
Jackson Transportation Authority	-	514,703	514,703	-
State of Michigan - Industrial Facilities Tax	-	854,866	854,866	-
State of Michigan - State Education Tax	-	3,330,646	3,330,646	-
Other	1,961,505	8,410,837	10,358,422	13,920
	\$ 1,961,505	\$ 29,552,565	\$ 31,500,150	\$ 13,920
<b>Employee Bond Savings Fund</b>				
<b>Assets</b>				
Pooled cash and cash equivalents	\$ 575	\$ 6,630	\$ 6,600	\$ 605
<b>Liabilities</b>				
Employees' bond deductions payable	\$ 575	\$ 6,630	\$ 6,600	\$ 605
<b>Mechanic Street Escrow Account</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 73	\$ -	\$ -	\$ 73
<b>Liabilities</b>				
Customer deposits payable	\$ 73	\$ -	\$ -	\$ 73

Continued

**City of Jackson, Michigan**  
**All Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2006**  
(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	\$ 2,000	\$ 168,922	\$ 104,014	\$ 66,908
<b>Liabilities</b>				
Accounts payable	\$ 2,000	\$ 168,922	\$ 104,014	\$ 66,908
<b>Act 495 Fire Trust Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 20,568	\$ 27,886	\$ 20,637	\$ 27,817
<b>Liabilities</b>				
Insurance deposits	\$ 20,568	\$ 27,886	\$ 20,637	\$ 27,817
<b>Totals</b>				
<b>Assets</b>				
Pooled cash and cash equivalents	\$ 2,985	\$ 12,500	\$ 12,471	\$ 3,014
Cash and cash equivalents	2,001,165	33,480,605	35,373,052	108,718
Taxes receivable - real	-	32,489,558	32,489,558	-
	\$ 2,004,150	\$ 65,982,663	\$ 67,875,081	\$ 111,732
<b>Liabilities</b>				
Accounts payable	\$ (1,242)	\$ 168,922	\$ 100,772	\$ 66,908
Due to other governmental units :				
Undistributed tax collections :				
Jackson County	-	3,726,687	3,726,687	-
Jackson Public Schools	-	7,501,174	7,501,174	-
Northwest Schools	-	20,661	20,661	-
Michigan Center Schools	-	90,980	90,980	-
East Jackson Schools	-	6,551	6,551	-
Jackson Intermediate School District	-	4,453,232	4,453,232	-
Jackson Community College	-	642,228	642,228	-
Jackson Transportation Authority	-	514,703	514,703	-
State of Michigan - Industrial Facilities Tax	-	854,866	854,866	-
State of Michigan - State Education Tax	-	3,330,646	3,330,646	-
Other	1,984,249	36,117,072	38,084,919	16,402
Other liabilities :				
Employees' bond deductions payable	575	6,630	6,600	605
Insurance deposits	20,568	27,886	20,637	27,817
	\$ 2,004,150	\$ 57,462,238	\$ 59,354,656	\$ 111,732

**City of Jackson, Michigan  
All Agency Funds  
Combining Balance Sheet  
June 30, 2006**

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	<u>Payroll Clearing</u>	<u>Jeopardy Tax</u>	<u>County and School Tax Collection</u>	<u>Employee Bond Savings</u>	<u>Mechanic Street Escrow Account</u>	<u>Community Development Block Grant Escrow</u>	<u>Act 495 Fire Trust Fund</u>	<u>Total</u>
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ 2,409	\$ 13,920	\$ 605	\$ 73	\$ 66,908	\$ 27,817	\$ 111,732
	<u>-</u>	<u>2,409</u>	<u>13,920</u>	<u>605</u>	<u>73</u>	<u>66,908</u>	<u>27,817</u>	<u>111,732</u>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,908	\$ -	\$ 66,908
Due to other governments	-	2,409	13,920	-	-	-	-	16,329
Other liabilities	-	-	-	605	73	-	27,817	28,495
	<u>-</u>	<u>-</u>	<u>-</u>	<u>605</u>	<u>73</u>	<u>-</u>	<u>27,817</u>	<u>28,495</u>
Total liabilities	<u>\$ -</u>	<u>\$ 2,409</u>	<u>\$ 13,920</u>	<u>\$ 605</u>	<u>\$ 73</u>	<u>\$ 66,908</u>	<u>\$ 27,817</u>	<u>\$ 111,732</u>

**City of Jackson, Michigan**  
**Balance Sheet / Statement of Net Assets**  
**Brownfield Redevelopment Authority Component Unit**  
**June 30, 2006**

	<u>Capital Projects Brownfield Redevelopment Authority</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Pooled cash and cash equivalents	\$ 2,416,237	\$ -	\$ 2,416,237
<b>Liabilities</b>			
Accounts payable	\$ -	-	-
<b>Fund balances</b>			
Unreserved - undesignated	2,416,237	(2,416,237)	-
	2,416,237	(2,416,237)	-
Total liabilities and fund balance	\$ 2,416,237		
<b>Net assets - unrestricted</b>		<u>\$ 2,416,237</u>	<u>\$ 2,416,237</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, 2006**

	<u>Capital Projects</u> <u>Brownfield</u> <u>Redevelopment</u> <u>Authority</u>	<u>Adjustments</u>	<u>Statement</u> <u>of Activities</u>
<b>Revenue</b>			
Property tax	\$ 1,354,047	\$ -	\$ 1,354,047
Interest revenue	62,026	-	62,026
Total revenue	1,416,073	-	1,416,073
<b>Expenditures/Expenses</b>			
Community enrichment	1,038,046	-	1,038,046
Excess of revenues over expenditures	378,027	-	-
Change in net assets	-	-	378,027
Fund balances / net assets, beginning of year	2,038,210	-	2,038,210
<b>Fund balances / net assets, end of year</b>	<u>\$ 2,416,237</u>	<u>\$ -</u>	<u>\$ 2,416,237</u>

# **STATISTICAL SECTION**

## Statistical Section

This part of the City of Jackson's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	103-107
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	108-111
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	112-114
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	115-120
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	121-126

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2001; schedules presenting government-wide information include information beginning in that year.

## **Financial Trends**

**City of Jackson Michigan**  
**Net Assets by Component**

**Schedule 1**  
**UNAUDITED**

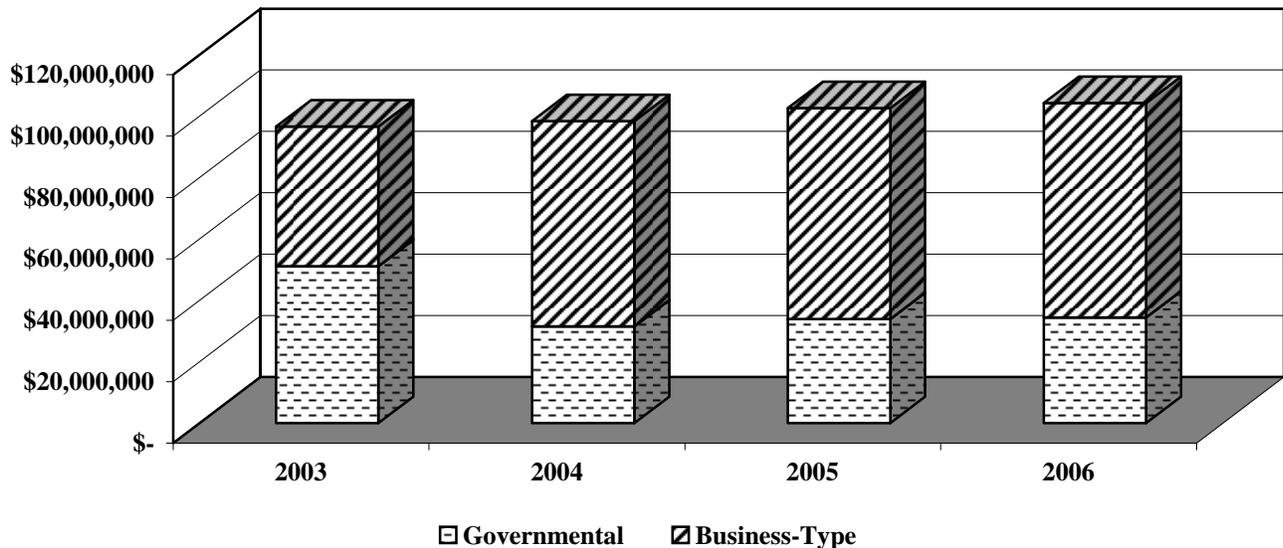
**Last Four Years (A)**  
*(accrual basis of accounting)*

	2003	2004	2005	2006
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 39,044,014	\$ 17,246,524	\$ 19,477,559	\$ 20,420,840
Restricted	6,530,504	5,785,257	7,566,923	8,680,736
Unrestricted	5,579,873	8,461,304	6,890,748	5,303,727
<b>Total governmental activities net assets</b>	<b>\$ 51,154,391</b>	<b>\$ 31,493,085</b>	<b>\$ 33,935,230</b>	<b>\$ 34,405,303</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 32,241,403	\$ 52,374,587	\$ 52,754,671	\$ 53,240,973
Restricted	1,490,472	1,447,009	1,447,009	1,447,009
Unrestricted	11,785,040	13,143,279	14,565,296	15,288,589
<b>Total business-type activities net assets</b>	<b>\$ 45,516,915</b>	<b>\$ 66,964,875</b>	<b>\$ 68,766,976</b>	<b>\$ 69,976,571</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 71,285,417	\$ 69,621,111	\$ 72,232,230	\$ 73,661,813
Restricted	8,020,976	7,232,266	9,013,932	10,127,745
Unrestricted	17,364,913	21,604,583	21,456,044	20,592,316
<b>Total primary government net assets</b>	<b>\$ 96,671,306</b>	<b>\$ 98,457,960</b>	<b>\$ 102,702,206</b>	<b>\$ 104,381,874</b>

(A) - The City of Jackson implemented GASB Statement No. 34 as of and for the year ended June 30, 2003. Accordingly, data prior to this period is not available.

Source: City of Jackson Finance Department

**Net Assets by Component**



**City of Jackson Michigan**  
**Changes in Net Assets**  
**Last Four Years (A)**  
*(accrual basis of accounting)*

Schedule 2  
**UNAUDITED**

	2003	2004	2005	2006
<b>Revenue:</b>				
Governmental activities:				
Program revenues:				
Charges for services	\$ 3,010,853	\$ 3,489,305	\$ 3,768,592	\$ 4,441,578
Operating grants and contributions	6,361,454	5,616,389	4,873,069	6,341,324
Capital grants and contributions	3,802,848	1,405,094	2,885,188	1,797,076
General revenues:				
Property taxes	6,964,585	7,754,736	9,105,344	9,584,773
Income taxes	6,602,493	6,984,060	7,300,012	7,249,113
Grants and contributions not restricted to specific purposes	6,434,919	5,895,879	7,057,734	6,737,106
Other	522,960	359,894	344,903	614,346
Total governmental activities revenues	33,700,112	31,505,357	35,334,842	36,765,316
Business-type activities:				
Program revenues:				
Charges for services	10,871,202	10,828,680	11,297,270	11,258,598
Capital grants and contributions	-	1,253,130	-	-
General revenues:				
Grants and contributions not restricted to specific purposes	281,068	299,455	451,473	240,999
Other	209,785	141,311	249,120	500,427
Total business-type activities revenues	11,362,055	12,522,576	11,997,863	12,000,024
Total primary government revenues	45,062,167	44,027,933	47,332,705	48,765,340
<b>Expenses</b>				
Governmental activities:				
Legislative	76,713	76,344	70,428	79,904
General government	4,365,163	4,213,894	4,162,208	4,744,187
Public safety	13,722,166	14,135,744	15,211,748	16,110,222
Public works	4,582,298	5,793,948	5,602,686	6,428,166
Culture and recreation	3,284,568	2,267,890	2,638,497	2,766,612
Community enrichment & development	3,414,818	5,133,149	2,977,181	4,032,540
Interest on long-term debt	1,676,873	1,916,025	2,125,358	2,025,886
Total governmental activities expenses	31,122,599	33,536,994	32,788,106	36,187,517
Business-type activities:				
Sewer	4,637,525	4,334,517	4,545,475	4,790,277
Water	5,339,940	5,130,173	5,048,903	5,437,488
Parking system	225,109	589,578	638,752	597,889
Golf Practice Center	74,292	80,487	67,222	72,501
Total business-type activities expenses	10,276,866	10,134,755	10,300,352	10,898,155
Total primary government expenses	41,399,465	43,671,749	43,088,458	47,085,672
<b>Increase (decrease) in net assets</b>	3,662,702	356,184	4,244,247	1,679,668
<b>Net assets - Beginning of year, as restated</b>	93,008,603	96,671,305	98,457,959	102,702,206
<b>Other Restatements at June 30, 2003</b>	-	1,430,470	-	-
<b>Net assets - End of year</b>	\$ 96,671,305	\$ 98,457,959	\$ 102,702,206	\$ 104,381,874

(A) - The City of Jackson implemented GASB Statement No. 34 as of and for the year ended June 30, 2003.

Accordingly, data prior to this period is not available.

Source: City of Jackson Finance Department

**City of Jackson Michigan**  
**Fund Balances - Governmental Funds**  
**Last Four Years (A)**  
*(modified accrual basis of accounting)*

Schedule 3  
**UNAUDITED**

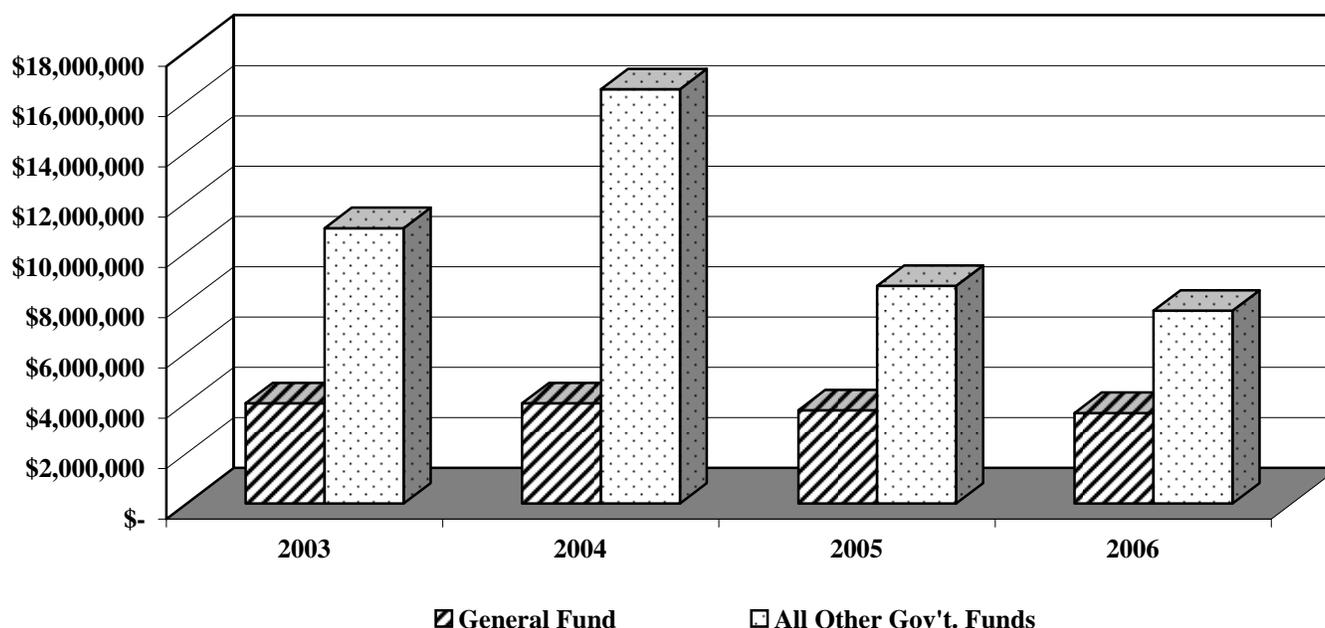
	2003	2004	2005	2006
<b>General Fund</b>				
Reserved	\$ 135,874	\$ 989,309	\$ 576,699	\$ 1,007,649
Unreserved	3,854,814	2,998,657	3,129,904	2,596,377
<b>Total general fund</b>	<b>\$ 3,990,688</b>	<b>\$ 3,987,966</b>	<b>\$ 3,706,603</b>	<b>\$ 3,604,026</b>
<b>All Other Governmental Funds</b>				
Reserved	\$ 3,926,763	\$ 3,101,874	\$ 3,134,439	\$ 2,890,964
Unreserved, reported in:				
Special revenue funds	1,583,168	2,262,510	3,619,163	4,015,537
Debt service funds	1,258,212	1,474,422	30,986	35,044
Capital projects funds	4,187,765	9,604,507	1,860,542	731,542
Permanent funds	-	39,370	8,698	-
<b>Total all other governmental funds</b>	<b>\$ 10,955,908</b>	<b>\$ 16,482,683</b>	<b>\$ 8,653,828</b>	<b>\$ 7,673,087</b>

(A) - The City of Jackson implemented GASB Statement No. 34 as of and for the year ended June 30, 2003.

Accordingly, data prior to this period is not available.

Source: City of Jackson Finance Department

**Fund Balances - Governmental Funds**



**City of Jackson Michigan**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Years**  
*(modified accrual basis of accounting)*

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
<b>Revenues</b>				
Taxes	\$ 13,409,012	\$ 13,850,717	\$ 13,425,400	\$ 13,631,682
Licenses and permits	322,544	339,358	446,626	358,074
Intergovernmental	10,714,223	11,154,020	12,356,559	12,562,148
Charges for services	2,027,300	2,162,612	2,293,580	2,133,839
Fines and forfeits	206,547	283,761	335,621	358,667
Special assessments	518,471	435,692	614,222	375,912
Investment income	594,769	578,395	497,207	548,693
Miscellaneous	585,727	1,410,986	686,017	661,046
<b>Total revenues</b>	<b>28,378,593</b>	<b>30,215,541</b>	<b>30,655,232</b>	<b>30,630,061</b>
<b>Expenditures</b>				
Legislative	59,112	63,287	47,067	58,791
General government	3,432,620	4,207,280	4,108,196	3,894,168
Public safety	13,612,267	13,783,936	13,863,581	13,862,836
Public works	7,074,128	5,658,140	7,388,586	7,012,898
Culture and recreation	1,816,325	2,133,522	2,098,722	2,039,918
Community enrichment and development	2,537,467	1,758,413	2,335,670	2,928,144
Capital outlay	41,329	99,795	481,930	629,992
Debt service	1,561,850	1,650,621	811,157	845,036
<b>Total expenditures</b>	<b>30,135,098</b>	<b>29,354,994</b>	<b>31,134,909</b>	<b>31,271,783</b>
Revenues over (under) expenditures	(1,756,505)	860,547	(479,677)	(641,722)
<b>Other financing sources (uses)</b>				
Proceeds from the sale of bonds	876,150	1,747,874	-	1,440,220
Discount on bond issue	-	-	-	-
Proceeds from the capital assets	-	-	-	-
Transfers in	4,001,682	2,634,063	2,771,330	3,625,083
Transfers (out)	(3,967,410)	(4,059,409)	(2,850,907)	(3,649,951)
<b>Total other financing sources (uses)</b>	<b>910,422</b>	<b>322,528</b>	<b>(79,577)</b>	<b>1,415,352</b>
<b>Net changes in fund balances</b>	<b>\$ (846,083)</b>	<b>\$ 1,183,075</b>	<b>\$ (559,254)</b>	<b>\$ 773,630</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.2%</b>	<b>5.6%</b>	<b>2.6%</b>	<b>2.8%</b>

Source: City of Jackson Finance Department

**Schedule 4  
UNAUDITED**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
\$	13,702,763	\$ 13,372,157	\$ 13,466,902	\$ 14,879,726	\$ 16,325,697	\$ 16,806,838
	486,357	542,190	218,273	216,538	254,973	231,377
	16,474,679	11,894,532	14,305,787	11,534,408	12,845,112	12,846,052
	2,107,313	2,381,975	2,882,738	2,875,007	2,832,829	3,853,103
	344,046	276,971	250,233	264,746	258,178	212,690
	368,804	383,620	266,702	478,716	249,531	378,339
	709,183	606,470	606,189	253,453	311,614	531,428
	1,275,535	807,545	1,475,169	1,454,100	2,135,528	1,770,237
	<b>35,468,680</b>	<b>30,265,460</b>	<b>33,471,993</b>	<b>31,956,694</b>	<b>35,213,462</b>	<b>36,630,064</b>
	61,317	75,940	76,713	76,344	70,428	79,904
	4,008,933	4,289,336	4,432,218	4,366,698	4,481,144	4,460,003
	14,123,279	13,353,931	13,816,626	14,282,280	15,252,256	16,555,647
	8,489,758	5,587,490	9,323,432	6,179,742	7,860,861	6,528,508
	2,098,837	2,432,546	2,555,559	2,463,750	2,432,741	2,592,558
	4,281,114	2,168,430	16,208,105	2,644,390	1,816,545	2,873,782
	13,323,432	2,187,506	947,770	4,048,998	8,094,359	1,456,073
	765,231	1,451,597	2,456,507	2,563,578	3,282,834	3,085,976
	<b>47,151,901</b>	<b>31,546,776</b>	<b>49,816,930</b>	<b>36,625,780</b>	<b>43,291,168</b>	<b>37,632,451</b>
	(11,683,221)	(1,281,316)	(16,344,937)	(4,669,086)	(8,077,706)	(1,002,387)
	19,548,967	200,000	1,750,000	10,370,000	-	-
	-	-	-	(155,531)	-	-
	-	-	172,092	84,105	72,079	26,795
	4,168,206	2,895,287	3,374,678	4,628,187	4,399,406	2,158,544
	(4,227,272)	(2,995,009)	(3,491,773)	(4,733,622)	(4,503,997)	(2,266,270)
	<b>19,489,901</b>	<b>100,278</b>	<b>1,804,997</b>	<b>10,193,139</b>	<b>(32,512)</b>	<b>(80,931)</b>
<b>\$</b>	<b>7,806,680</b>	<b>\$ (1,181,038)</b>	<b>\$ (14,539,940)</b>	<b>\$ 5,524,053</b>	<b>\$ (8,110,218)</b>	<b>\$ (1,083,318)</b>
	<b>2.3%</b>	<b>4.9%</b>	<b>5.0%</b>	<b>7.9%</b>	<b>9.3%</b>	<b>8.5%</b>

**City of Jackson Michigan**  
**Changes in Fund Balances - General Fund**  
**Last Ten Years**  
*(modified accrual basis of accounting)*

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
<b>Revenues</b>				
Taxes	\$ 11,642,928	\$ 12,061,167	\$ 12,454,266	\$ 12,625,783
Licenses and permits	322,544	339,358	446,626	358,074
Intergovernmental	5,510,122	5,923,427	6,197,124	6,302,590
Charges for services	1,138,363	1,203,885	1,138,973	1,242,152
Fines and forfeits	206,547	283,761	335,621	358,667
Investment income	271,742	219,241	154,630	125,900
Miscellaneous	281,987	626,853	208,056	117,875
<b>Total revenues</b>	<b>19,374,233</b>	<b>20,657,692</b>	<b>20,935,296</b>	<b>21,131,041</b>
<b>Expenditures</b>				
Legislative	59,112	63,287	47,067	58,791
General government	3,432,620	4,207,280	4,108,196	3,894,168
Public safety	12,952,076	12,954,669	13,247,080	13,225,486
Public works	1,743,448	1,696,562	1,842,705	1,620,371
Culture and recreation	932,490	1,041,937	1,136,413	1,170,535
Community enrichment and development	131,075	139,009	333,842	248,972
<b>Total expenditures</b>	<b>19,250,821</b>	<b>20,102,744</b>	<b>20,715,303</b>	<b>20,218,323</b>
Revenues over (under) expenditures	123,412	554,948	219,993	912,718
<b>Other financing sources (uses)</b>				
Proceeds from the capital assets (A)				
Transfers in	505,718	773,123	646,592	376,111
Transfers (out)	(1,652,725)	(2,360,066)	(1,165,328)	(1,090,725)
<b>Total other financing sources (uses)</b>	<b>(1,147,007)</b>	<b>(1,586,943)</b>	<b>(518,736)</b>	<b>(714,614)</b>
<b>Net changes in fund balances</b>	<b>\$ (1,023,595)</b>	<b>\$ (1,031,995)</b>	<b>\$ (298,743)</b>	<b>\$ 198,104</b>

(A) - The City of Jackson implemented GASB Statement No. 34 as of and for the year ended June 30, 2003.

Proceeds from the sale of capital assets prior to that period were recorded as miscellaneous revenue.

Source: City of Jackson Finance Department

**Schedule 5**  
**UNAUDITED**

	<b>2001</b>		<b>2002</b>		<b>2003</b>		<b>2004</b>		<b>2005</b>		<b>2006</b>
\$	12,665,924	\$	12,265,353	\$	12,224,021	\$	13,007,511	\$	13,843,364	\$	14,276,643
	226,688		224,890		218,273		216,538		254,973		231,377
	6,871,889		6,710,619		6,032,594		5,769,574		5,581,910		5,925,153
	1,159,816		1,226,849		1,425,226		1,441,380		1,338,854		1,170,927
	344,046		276,971		250,233		264,746		258,178		212,690
	247,718		146,633		90,810		73,972		105,190		267,083
	538,547		107,567		150,201		402,960		1,392,079		1,404,473
	22,054,628		20,958,882		20,391,358		21,176,681		22,774,548		23,488,346
	61,317		75,940		76,713		76,344		70,428		79,904
	4,002,020		4,283,723		4,432,218		4,366,698		4,481,144		4,460,003
	12,957,886		12,231,371		12,658,451		13,207,314		14,010,760		15,229,963
	1,594,535		1,661,154		1,592,589		1,690,189		1,414,892		1,728,580
	1,203,127		1,481,886		1,588,412		1,547,153		1,508,574		1,385,593
	258,803		219,345		314,437		254,780		190,797		204,811
	20,077,688		19,953,419		20,662,820		21,142,478		21,676,595		23,088,854
	1,976,940		1,005,463		(271,462)		34,203		1,097,953		399,492
					131,309		10,624		17,809		13,379
	338,514		278,402		214,393		271,834		206,969		270,667
	(480,659)		(374,170)		(269,144)		(319,383)		(1,604,094)		(786,115)
	(142,145)		(95,768)		76,558		(36,925)		(1,379,316)		(502,069)
\$	1,834,795	\$	909,695	\$	(194,904)	\$	(2,722)	\$	(281,363)	\$	(102,577)

# **Revenue Capacity**

**City of Jackson Michigan**  
**Assessed and Actual Value of Taxable Property**  
**Last Ten Years**

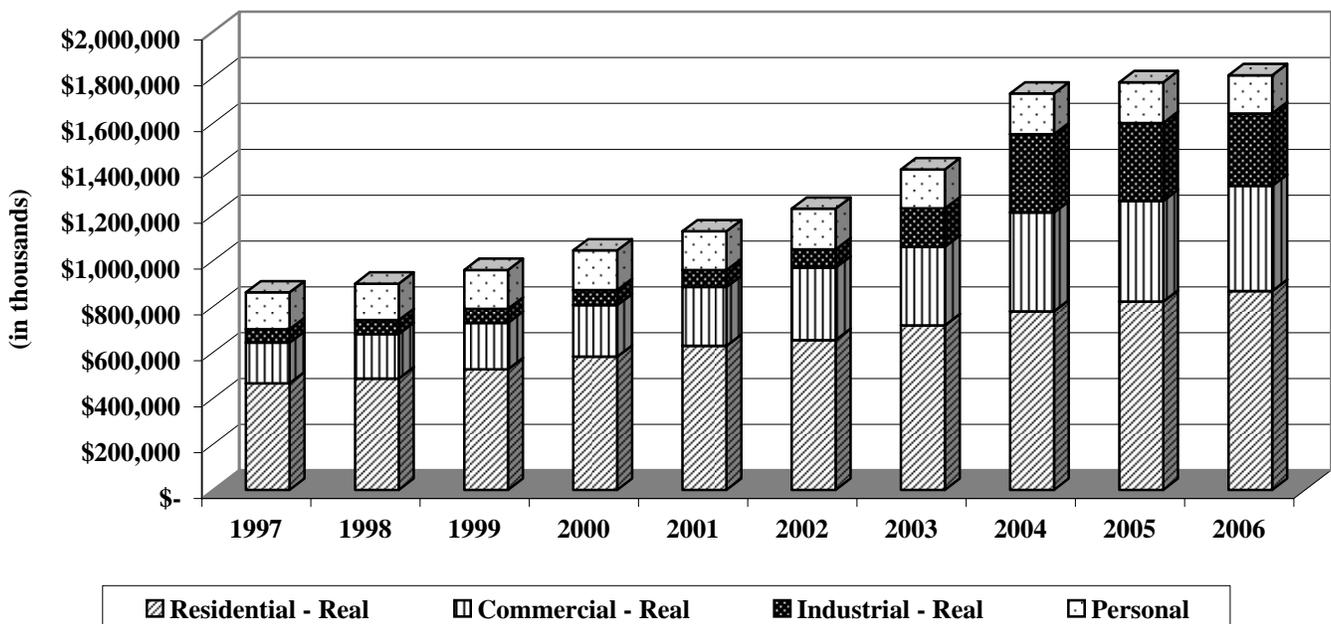
Schedule 6  
**UNAUDITED**

Fiscal Year (2)	Real			Personal Property	Total Assessed and Actual Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Industrial Property			
1997	\$ 465,805,700	\$ 176,774,960	\$ 58,658,400	\$ 160,604,000	\$ 861,843,060	16.3400
1998	486,555,200	194,377,600	60,253,540	158,521,600	899,707,940	16.3070
1999	526,180,700	203,167,900	60,907,800	169,506,600	959,763,000	14.3000
2000	581,086,600	225,127,400	66,188,600	172,990,800	1,045,393,400	13.5134
2001	628,608,100	256,600,900	73,712,100	169,591,200	1,128,512,300	13.0225
2002	654,605,400	315,855,800	79,487,000	176,989,600	1,226,937,800	12.6001
2003	717,994,200	343,127,500	167,342,500	169,773,000	1,398,237,200	12.3389
2004	779,403,700	431,047,200	341,800,400	177,136,200	1,729,387,500	12.7889
2005	821,731,700	439,568,300	339,821,700	177,797,200	1,778,918,900	13.8789
2006	867,913,346	458,971,176	315,901,156	166,551,738	1,809,337,416	13.5089

- (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, 2005 levy is for fiscal year 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.

Source: City Assessor Department

**Assessed and Actual Value of Taxable Property**



**City of Jackson Michigan**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Years**  
*(rate per \$1,000 of taxable value)*

**Schedule 7**  
**UNAUDITED**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>City direct rates</b>										
Operating	6.7900	6.7900	7.0000	6.9482	6.8620	6.8057	6.7192	6.7192	6.7192	6.7192
Public Improvement	1.9400	1.9400	2.0000	1.9852	1.9605	1.9444	1.9197	1.9197	1.9197	1.9197
Parking Garage/Sewer Debt	2.1770	2.1100	---	---	---	---	---	---	---	---
City Hall Debt	---	---	---	---	---	---	---	---	0.7400	0.7500
Act 345 Pension	5.4330	5.4670	5.3000	4.5800	4.2000	3.8500	3.7000	4.1500	4.5000	4.1200
Total direct rate	16.3400	16.3070	14.3000	13.5134	13.0225	12.6001	12.3389	12.7889	13.8789	13.5089
<b>Overlapping rates</b>										
Jackson County:										
Operating	5.6198	5.5883	5.5626	5.4819	5.4194	5.3559	5.2734	5.2022	5.1709	5.1471
Jail Debt	---	---	---	---	---	---	0.5000	0.4932	0.4902	0.4879
MCF	0.1500	0.1492	0.1485	0.1500	0.1482	0.1465	0.1442	0.1422	0.1413	0.1406
Senior Services	---	---	---	---	---	---	---	---	0.2500	0.2488
District Library	0.9445	0.9445	0.9349	0.9208	0.9102	0.8995	0.8856	0.8736	0.8682	0.8642
	6.7143	6.6820	6.6460	6.5527	6.4778	6.4019	6.8032	6.7112	6.9206	6.8886
Intermediate School District:										
Operating	0.3767	0.3747	0.3730	0.3677	0.3610	0.3580	0.3525	0.3477	0.3455	0.3439
Special & Vocational Education	7.5508	8.5107	8.4715	8.3519	8.2014	8.1348	7.0693	7.8730	7.8249	7.7895
	7.9275	8.8854	8.8445	8.7196	8.5624	8.4928	7.4218	8.2207	8.1704	8.1334
Jackson Community College:										
Operating	1.2492	1.2490	1.2446	1.2266	1.2131	1.1980	1.1798	1.1638	1.1565	1.1511
Debt Service	0.1100	0.1100	0.0500	---	---	---	---	---	---	---
	1.3592	1.3590	1.2946	1.2266	1.2131	1.1980	1.1798	1.1638	1.1565	1.1511
Jackson Transit Auth.- Operating	1.0000	1.0000	0.5000	0.9926	0.9802	0.9721	0.9597	0.9597	0.9597	0.9597
Downtown Dev. Auth.-Operating	2.0000	2.0000	2.0000	2.0000	1.9996	1.9996	1.9996	1.9996	1.9996	1.9996
Jackson Public Schools:										
Operating	18.0000	18.0000	17.9298	17.9298	17.8114	17.6047	17.8820	17.8820	17.8820	17.8820
State Education Tax (SET)	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	5.0000	6.0000	6.0000
Debt	---	---	---	1.1300	1.9500	1.9500	1.9500	1.9500	2.4500	2.4000
Recreation	---	---	---	---	---	---	---	---	---	0.2000
	24.0000	24.0000	23.9298	25.0598	25.7614	25.5547	25.8320	24.8320	26.3320	26.4820
East Jackson Public Schools:										
Operating	18.0000	18.0000	18.0000	18.0000	17.8218	17.8146	17.1857	17.1530	17.1530	18.0000
State Education Tax (SET)	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	5.0000	6.0000	6.0000
Debt	7.5400	7.5000	7.5000	7.5000	7.5000	7.5000	7.5000	7.4000	7.0000	6.2400
Exta voted	---	---	---	---	---	0.1854	0.8143	0.8470	0.8470	---
	31.5400	31.5000	31.5000	31.5000	31.3218	31.5000	31.5000	30.4000	31.0000	30.2400
Michigan Center Public Schools:										
Operating	18.0000	18.0000	18.0000	18.0000	17.7282	17.7282	17.8002	17.4068	17.3318	18.0000
State Education Tax (SET)	6.0000	6.0000	6.0000	6.0000	6.0000	---	6.0000	5.0000	6.0000	6.0000
Exta voted	---	---	---	---	---	---	---	3.5000	3.4604	3.4604
	24.0000	24.0000	24.0000	24.0000	23.7282	17.7282	23.8002	25.9068	26.7922	27.4604
Northwest Public Schools:										
Operating	18.0000	18.0000	18.0000	18.0000	17.6490	17.6490	17.4024	17.2893	17.2893	16.9487
State Education Tax (SET)	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	5.0000	6.0000	6.0000
Debt	1.1257	0.9716	0.6794	0.4855	0.4718	0.4285	0.3994	0.3776	0.3003	0.1165
	25.1257	24.9716	24.6794	24.4855	24.1208	24.0775	23.8018	22.6669	23.5896	23.0652

**Note:** Levy shown is as of July 1. The July 1, 2005 levy is for the current fiscal year ending June 30, 2006.

Source: City of Jackson Finance Department

**City of Jackson Michigan**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

Schedule 8  
**UNAUDITED**

Taxpayer	2006			1997		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Kinder Morgan Michigan/Alphagen	\$ 101,682,650	1	13.70%	\$ -	-	-
Consumers Energy	50,243,900	2	6.77%	23,924,500	1	5.80%
Ramco (Jackson Crossing/Jackson West)	7,974,191	3	1.07%	5,983,200	2	1.45%
Wolverine Technologies/Certainteed	6,458,068	4	0.87%	5,259,800	3	1.28%
Edscha Jackson Group	5,964,820	5	0.80%	-	-	-
Alro	5,918,056	6	0.80%	2,834,400	6	0.69%
Home Depot	5,847,470	7	0.79%	-	-	-
Merchants Crossing (Kroger Complex)	3,734,850	8	0.50%	2,557,100	8	0.62%
Alpine Lake Apartments LLC (Dunn Dev.)	3,213,171	9	0.43%	2,756,450	7	0.67%
Target/Dayton Hudson	3,033,057	10	0.41%	2,547,950	10	0.62%
Aeroquip (Eaton Corp.)	-	-	-	3,482,600	4	0.84%
Goodyear	-	-	-	3,386,600	5	0.82%
Jackson Realty - One Jackson Square	-	-	-	2,548,000	9	0.62%
	<u>\$ 194,070,233</u>		<u>26.16%</u>	<u>\$ 55,280,600</u>		<u>13.41%</u>

(1) Total Ad Valorem Taxable Valuation as of June 30, 2006 = \$ 741,982,298 (valuation for fiscal year 2007).

Total Ad Valorem Taxable Valuation as of June 30, 1997 = \$ 412,216,163 (valuation for fiscal year 1998).

(2) Kinder Morgan Energy (KME), an electric power generation company, has the largest taxable value of \$ 101,682,650, or 13.70% of the 2006 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.

Source: City of Jackson Assessor Department.

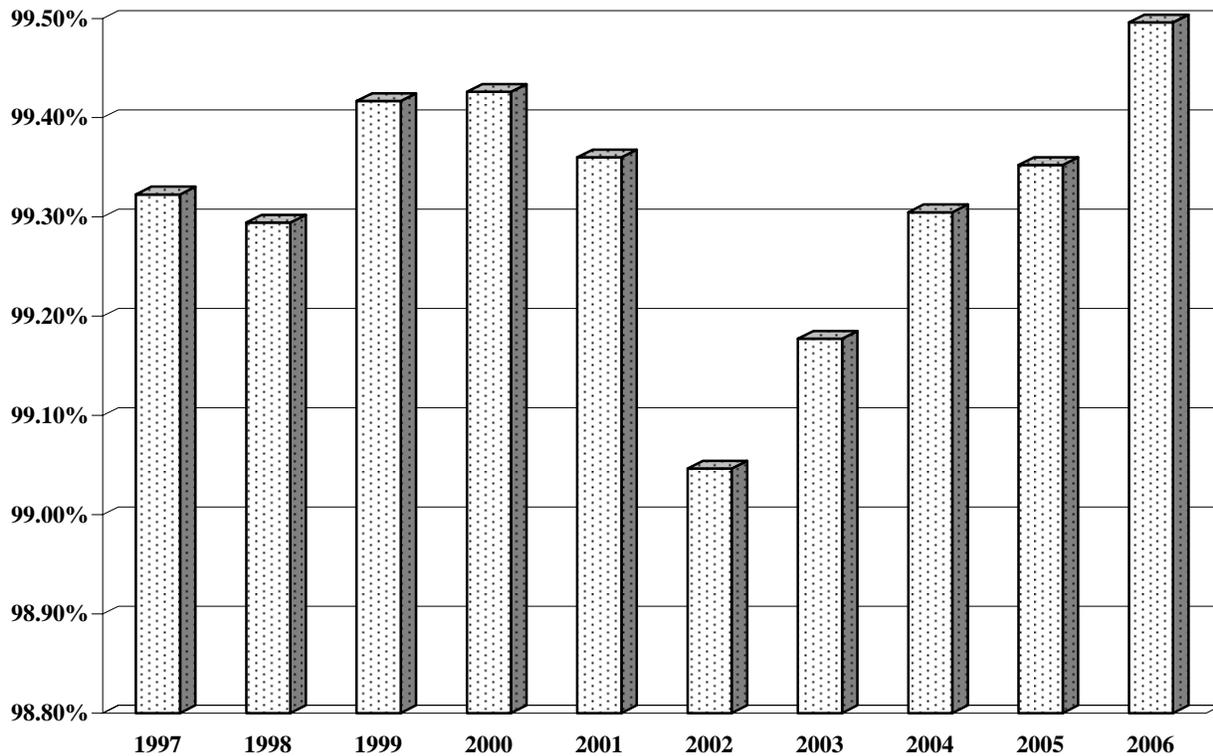
**City of Jackson, Michigan**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Schedule 9  
 UNAUDITED

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
1997	\$ 6,846,937	\$ 6,283,903	91.78%	\$ 516,659	\$ 6,800,562	99.32%
1998	7,007,246	6,478,730	92.46%	479,062	6,957,792	99.29%
1999	6,468,370	5,993,199	92.65%	437,451	6,430,650	99.42%
2000	6,403,803	5,920,634	92.45%	446,418	6,367,052	99.43%
2001	6,411,359	5,939,660	92.64%	430,663	6,370,323	99.36%
2002	6,519,371	6,016,302	92.28%	440,904	6,457,206	99.05%
2003	6,699,761	6,195,766	92.48%	448,880	6,644,646	99.18%
2004	7,760,751	7,239,082	93.28%	467,710	7,706,792	99.30%
2005	8,042,591	7,457,299	92.72%	533,197	7,990,496	99.35%
2006	8,906,874	8,247,529	92.60%	614,468	8,861,997	99.50%

(1) Fiscal year tax is collected - 2006 represents July 1, 2005 levy.

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



Source: City of Jackson Finance Department

## **Debt Capacity**

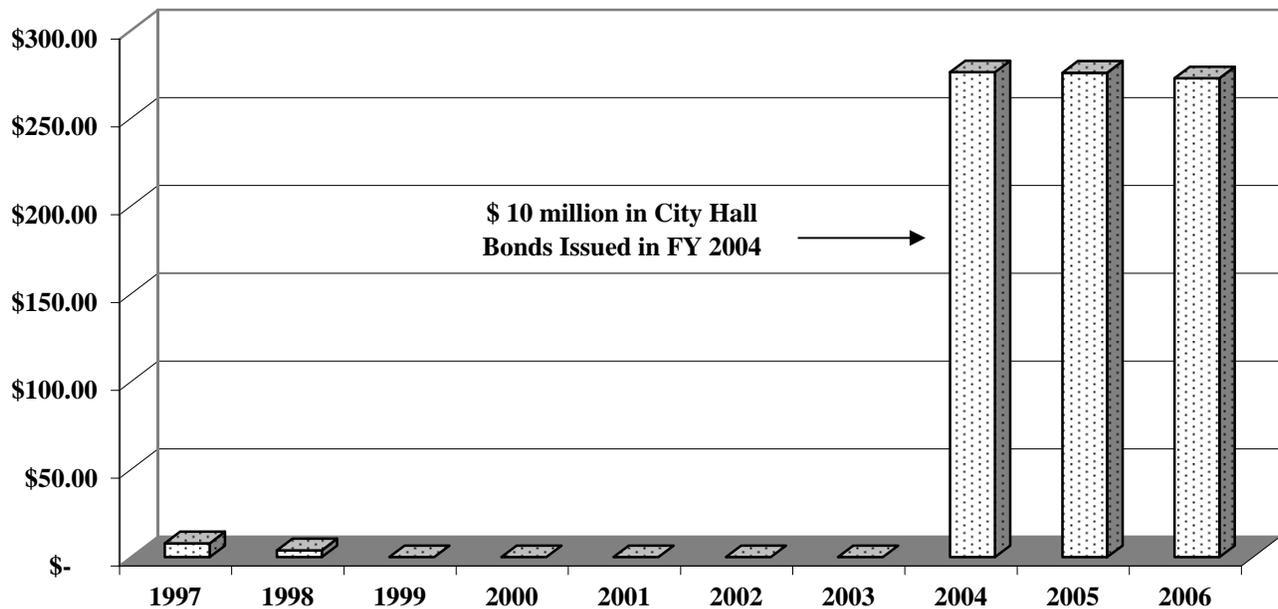
**City of Jackson, Michigan**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Years**

Schedule 10  
 UNAUDITED

Fiscal Year	General Bonded Debt Outstanding			% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total		
1997	\$ 295,000	\$ -	\$ 295,000	0.03%	\$ 7.88
1998	145,000	-	145,000	0.02%	3.87
1999	-	-	-	0.00%	-
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2004	10,000,000	-	10,000,000	0.58%	276.11
2005	9,990,000	-	9,990,000	0.56%	275.83
2006	9,875,000	-	9,875,000	0.55%	272.65

Source: City of Jackson Finance Department

**General Bonded Debt Per Capita**



**City of Jackson, Michigan**  
**Computation of Net Direct and Overlapping Debt**  
**As of June 30, 2006**

**Schedule 11**  
**UNAUDITED**

	<u>Gross Amount Outstanding</u>	<u>Self-Supporting or Paid by Benefited Entity</u>	<u>Net Amount Outstanding</u>
<b>Direct debt</b>			
Unlimited Tax General Obligation Debt:			
City Hall Bonds	\$ 9,875,000	\$ -	\$ 9,875,000
Limited Tax General Obligation Debt:			
Downtown Development Authority Bonds	17,173,577	17,173,577	-
Brownfield Redevelopment Authority Bonds	18,500,000	18,500,000	-
Building Authority Bonds	940,000	-	940,000
Michigan Transportation Fund Bonds	1,775,000	1,775,000	-
Installment Purchase Contracts	745,000	-	745,000
Revenue Bonds:			
Water Revenue Bonds	2,465,000	2,465,000	-
Sewer Revenue Bonds	1,125,000	1,125,000	-
Other:			
Michigan Urban Land Assembly Loan	628,000	628,000	-
Section 108 Loan (HUD)	960,000	960,000	-
Net direct debt	<u>\$ 54,186,577</u>	<u>\$ 42,626,577</u>	<u>11,560,000</u>
	<u>Gross</u>	<u>City Share</u>	
<b>Overlapping debt</b>			
School Districts:			
Jackson School District	\$ 41,235,000	55.65%	22,947,278
East Jackson School District	16,530,000	0.13%	21,489
Northwest School District	1,650,000	0.20%	3,300
Michigan Center School District	-	2.40%	-
			<u>22,972,067</u>
Jackson County at Large	35,165,000	18.06%	6,350,799
Jackson Community College	20,215,000	18.06%	3,650,829
Jackson County Intermediate School District	-	17.78%	-
Net overlapping debt			<u>32,973,695</u>
<b>Net direct and overlapping debt</b>			<u>\$ 44,533,695</u>
<b>Per Capita Debt:</b> (36,218 population):			
	Net Direct Debt		\$ 319.18
	Net Overlapping Debt		<u>910.42</u>
	Total Net Debt		<u>\$ 1,229.60</u>
<b>Percent of Taxable Valuation:</b> (\$ 741,982,298 Taxable Valuation at 6/30/06):			
	Net Direct Debt		1.56%
	Net Overlapping Debt		<u>4.44%</u>
	Total Net Debt		<u>6.00%</u>

Source: City of Jackson Finance Department and Municipal Advisory Council of Michigan.

**City of Jackson, Michigan**  
**Legal Debt Margin**  
**Last Ten Years**

Schedule 12  
**UNAUDITED**

**Legal Debt Margin - 2006**

State Equalized Value as of December 31, 2005 (for taxes levied by the City on July 1, 2006) \$ 951,807,013

Debt limit (10% of state equalized value) \$ 95,180,701

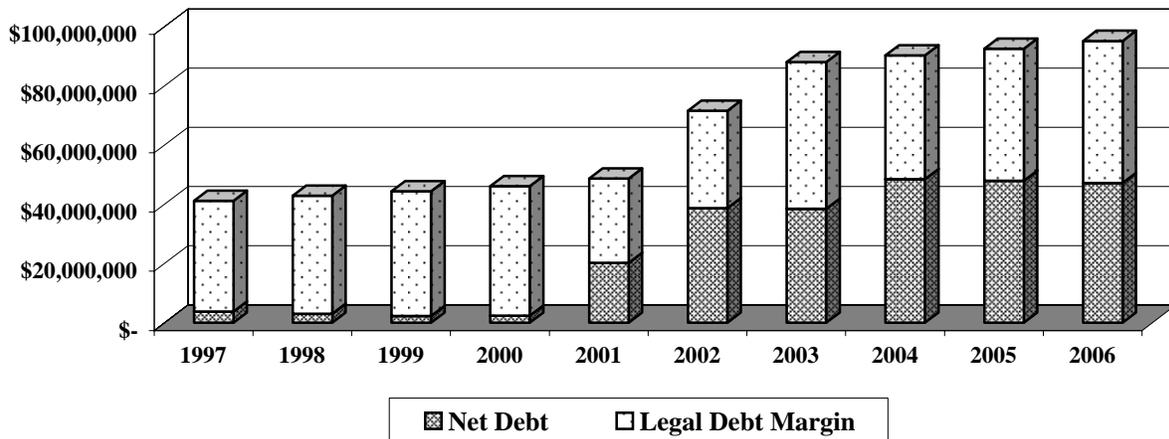
Total Net Debt applicable to limit - general obligation bonds 47,233,577

**Legal debt margin** \$ 47,947,124

For Taxes Levied July 1	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit As % of Debt Limit
1997	\$ 41,221,616	\$ 3,787,585	\$ 37,434,031	9.19%
1998	42,863,933	3,036,034	39,827,899	7.08%
1999	44,401,550	2,305,108	42,096,442	5.19%
2000	46,117,422	2,380,000	43,737,422	5.16%
2001	48,749,492	20,228,577	28,520,915	41.49%
2002	71,590,103	38,738,577	32,851,526	54.11%
2003	88,064,883	38,543,577	49,521,306	43.77%
2004	90,322,370	48,498,577	41,823,793	53.69%
2005	92,551,455	47,918,577	44,632,878	51.78%
2006	95,180,701	47,233,577	47,947,124	49.63%

Source: City of Jackson Finance Department

**Components of Debt Limit**



## **Demographic and Economic Information**

**City of Jackson, Michigan**  
**Demographic & Economic Statistics**  
**Last Ten Years**

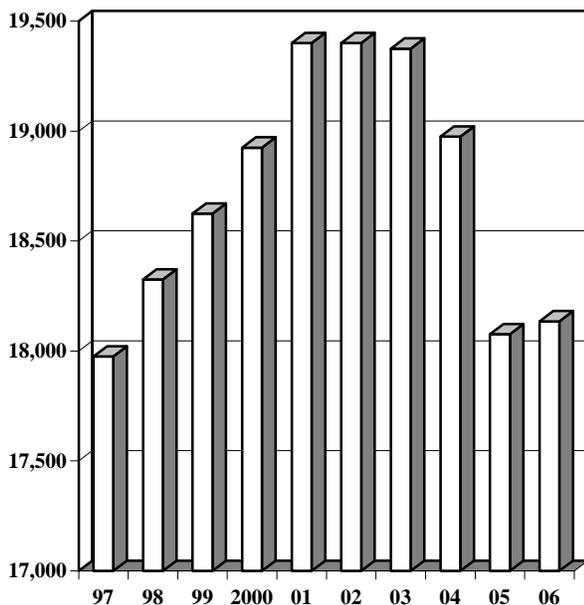
Schedule 13  
 UNAUDITED

Fiscal Year	(1) Population	(2) Labor Force	(2) Employment	(2) Unemployment	(2) Unemployment Rate	(3) Per Capita Income
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 %	\$ 15,230
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 %	-
2006	36,218	18,135	16,361	1,774	9.8 %	-

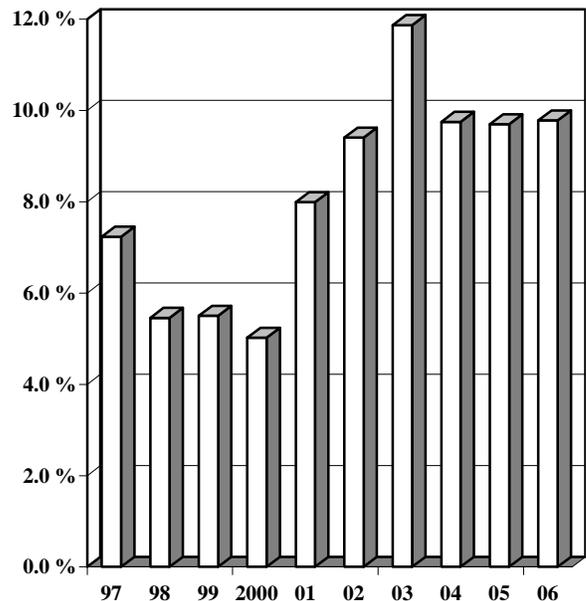
All labor force statistics are as of June of the fiscal year shown, i.e. fiscal year 2006 represents June, 2006.

- (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
- (3) Per Capita Income Information available for the City of Jackson only for 1999 (2000 US Census).

**Labor Force**



**Unemployment Rate**



**City of Jackson, Michigan**  
**Principal Employers**  
**Current Year and Five Years Ago (1)**

**Schedule 14**  
**UNAUDITED**

<b>Employer</b>	<b>2006</b>			<b>2001</b>		
	<b>Total (2) Employees</b>	<b>Rank</b>	<b>% of Total City Employment</b>	<b>Total (2) Employees</b>	<b>Rank</b>	<b>% of Total City Employment</b>
Foote Health System	3,146 (a)	1	16.54%	2,590 (a)	1	12.89%
Consumers Energy	2,000 (b)	2	7.17%	2,025 (b)	2	6.70%
Local Government	870	3	4.80%	955	3	4.92%
Jackson Public Schools	782	4	4.31%	790	4	4.07%
Eaton Corporation	598 (c)	5	1.65%	585 (c)	5	1.55%
Great Lakes Home Health & Hospice	400	6	2.21%	-	-	
Alro Steel Corporation	325	7	1.79%	196	10	1.01%
Anesthesia Business Consultants	284	8	1.57%	-	-	
Certainteed /Wolverine Vinyl Siding	250	9	1.38%	350	7	1.80%
Edscha (Jackson Automotive Group)	250	10	1.38%	450	6	2.32%
Worthington Steel / Specialties				258	8	1.33%
Way Bakeries				230	9	1.19%
	<u>8,905</u>		<u>42.80%</u>	<u>8,429</u>		<u>37.78%</u>

(1) Data for 1997 (nine years ago) not available; used most recent comparable data available (2001).

(2) Total employees in Jackson County. Most of the employees shown are within the City of Jackson unless footnoted below.

(a) Approximately 3,000 in 2006 and 2,500 in 2001 of total shown work in the City...percentage adjusted to reflect.

(b) Approximately 1300 of total shown work in the City...percentage adjusted to reflect.

(c) Approximately 300 of total shown work in the City...percentage adjusted to reflect.

Source: The Enterprise Group, Jackson County.

**City of Jackson, Michigan**  
**Full-Time Equivalent City Government Employees**  
**By Function/Program**  
**Last Ten Years**

Schedule 15  
 UNAUDITED

Function/Program	Full-time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government:										
City Manager	5	5	5	4	5	5	5	4	3	4
Finance	5	5	5	5	5	5	5	5	5	5
City Assessor	5	5	4	5	4	5	5	5	5	4
City Attorney	4	4	5	5	5	4	5	5	5	5
City Clerk/Elections	3	3	3	3	2	3	4	4	4	4
Personnel	4	3	4	4	4	4	4	3	4	4
Purchasing/City Hall	3	3	3	3	3	3	3	3	3	3
City Treasurer / Income Tax	7	7	6	6	6	6	6	6	6	6
Mgt. Information Services	3	4	2	3	3	3	3	3	1	2
Public Safety:										
Police-Civilian	20	21	21	23	24	25	24	24	23	22
Police-Enforcement	63	65	67	68	67	70	70	70	68	66
Fire-Civilian	3	3	3	3	4	2	3	2	2	2
Fire-Protection	54	53	49	47	46	45	46	43	43	43
Building Inspection	8	7	8	8	7	7	6	7	6	7
Emergency Measures	1	1	1	1	1	1	1	1	1	1
Public Works:										
Public Works	36	36	36	34	32	34	35	33	29	31
Engineering	6	6	6	7	14	14	14	14	13	13
Culture & Recreation:										
Parks, Recreation & Grounds	21	21	23	22	23	25	25	24	24	25
Community Development:										
Public Safety / Community Enrichment & Development	13	14	11	13	14	13	12	10	10	10
Enterprise Funds:										
Sewer	18	18	16	17	17	18	18	18	18	19
Water	33	30	34	35	35	35	34	35	34	34
<b>Total</b>	<b>315</b>	<b>314</b>	<b>312</b>	<b>316</b>	<b>321</b>	<b>327</b>	<b>328</b>	<b>319</b>	<b>307</b>	<b>310</b>

Source: City of Jackson Personnel Department

**City of Jackson, Michigan**  
**Operating Indicators by Function/Program**  
**Last Ten Years**

**Schedule 16**  
**UNAUDITED**

<b>Function/Program</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Public safety</b>										
Police:										
Physical arrests	5,090	3,244	4,463	4,357	4,013	3,651	3,511	3,513	3,628	3,562
Traffic violations	10,236	11,678	12,164	16,544	16,705	17,388	15,567	15,812	14,165	11,003
Parking violations	3,570	4,437	4,088	3,457	2,500	2,254	4,572	5,782	4,741	3,722
Police personnel and officers	88	93	92	91	97	99	100	101	91	92
Fire:										
Calls answered	4,099	3,488	3,441	4,026	4,458	4,438	4,158	4,105	4,072	4,419
Inspections conducted	1,588	1,800	665	274	225	225	325	325	594	762
Fire personnel and officers	57	54	48	50	46	47	43	43	45	45
<b>Sewer system</b>										
Service connections	12,684	12,684	12,920	12,935	12,838	12,843	12,609	12,426	12,802	12,755
Daily average treatment (mg)	12.6	13.9	13.5	13.6	14.0	13.6	12.6	12.9	13.2	12.5
Maximum daily capacity (mg)	19	19	19	19	19	19	19	19	19	19
Township service (bulk metering)	5	5	5	5	5	5	5	5	5	5
<b>Water system</b>										
Service connections	13,854	13,854	14,554	14,568	14,987	15,255	15,327	15,352	15,327	15,324
Daily average consumption (mg)	6.54	6.27	6.15	6.11	5.73	5.61	6.91	5.53	5.41	5.49
Maximum daily capacity (mg)	24	24	24	24	24	24	24	24	24	24

mg = million gallons

Source: Various City Department

**City of Jackson, Michigan**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Years**

Schedule 17  
 UNAUDITED

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Public Safety</b>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	37	36	39	39	39	39	40	41	41	39
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Response vehicles	9	9	9	9	9	9	9	9	9	10
<b>Culture and recreation</b>										
Parks:										
Number	19	19	19	22	23	23	23	23	23	24
Acreage	603	603	634	635	636	636	636	636	636	636
Community centers	2	2	2	2	2	2	2	2	2	2
Golf courses:										
18 hole	1	1	1	1	1	1	1	1	1	1
Mini	1	1	1	1	1	1	1	1	1	1
Inline skate rink								1	1	1
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	14	14	14	14	14	14	14	14	14	14
<b>Public works</b>										
Miles of streets	171	171	171	171	165	165	165	165	165	165
Street lights	2,235	2,235	2,279	2,279	2,335	2,335	2,335	2,335	2,365	2,440
<b>Sewer system</b>										
Miles of sanitary sewers	164	164	164	164	161	161	160	160	160	160
Miles of storm sewers	105	105	105	105	109	109	108	108	108	108
Treatment plants	1	1	1	1	1	1	1	1	1	1
<b>Water system</b>										
Miles of water mains	193	193	214	214	218	234	231	232	232	244
Treatment plants	1	1	1	1	1	1	1	1	1	1
Fire hydrants	1,845	1,845	1,858	1,858	1,918	2,026	2,029	2,030	2,030	2,064

Source: City of Jackson Finance Department

**City of Jackson, Michigan**  
**Schedule of Insurance**  
**As of June 30, 2006**

**Schedule 18**  
**UNAUDITED**

<b>Type of Coverage</b>				
<b>Name of Company</b>	<b>Policy Period</b>	<b>Premium</b>	<b>Description</b>	
<b><u>Building and Contents</u></b> <i>Michigan Municipal Liability and Property Pool</i>	7/1/05-6/30/06	\$ 118,451	All risk coverage on buildings and contents. \$155,360,701 limit with \$2,500 deductible per occurrence.	
<b><u>Automobile</u></b> <i>Michigan Municipal Liability and Property Pool</i>	7/1/05-6/30/06	\$ 106,792	\$5,000,000 liability limit per occurrence, \$1,000,000 property protection, \$100,000 uninsured motorist protection. \$1,000 comprehensive and collision deductibles.	
<b><u>Liability</u></b> <i>Michigan Municipal Liability and Property Pool</i>	7/1/05-6/30/06	\$ 232,505	Law Enforcement, Public Officials, Municipal General and Employee Benefit Liability coverages. \$5,000,000 limit per occurrence with a \$5,000 deductible.	
<b><u>Crime/Bonds</u></b> <i>Michigan Municipal Liability and Property Pool</i>	7/1/05-6/30/06	Included	Employee dishonesty and faithful performance blanket, loss inside/outside premises, depositors forgery, money order/ counterfeit paper coverages. \$100,000 liability limit.	
<b><u>Workers Compensation</u></b> <i>Midwest Employers Casualty Broadspire Services</i>	9/1/05-9/01/06 9/1/05-9/01/06	\$ 27,638 \$ 42,700	Excess insurance above \$350,000 retention. TPA for claims service.	
<b><u>Community Blue-PPO</u></b> <i>Blue Cross/Blue Shield</i>	Monthly	Varies	PPO offers primary care physicians, network hospitals, affiliated laboratories and other providers within the particular PPO network. Employee is responsible for co-pay amounts at time of service. Available to all full-time and retired City personnel.	
<b><u>PHP-HMO</u></b> <i>Physicians Health Plan</i>	Monthly	Varies	HMO offers primary care physicians, network hospitals, affiliated laboratories and other providers within the particular HMO network. Employee is responsible for co-pay amounts at time of service. Available to all full-time City employees.	
<b><u>Prescription Drug Coverage</u></b> <i>ScriptGuide</i>	Monthly (Effective 5/1/06)		City's self insured prescription drug plan available to all full-time and retired personnel. Third party administrator processes claims with a contracted fee schedule.	
<b><u>Life</u></b> <i>Aetna</i>	Monthly	Varies	Covers death of employee and/or AD&D. City pays for coverage of 1X annual salary up to \$50,000 with a minimum of \$30,000. All full-time employees are covered.	
<b><u>Long-term Disability</u></b> <i>Aetna</i>	Monthly	Varies	60% of monthly salary with various elimination periods. All full-time employees are covered.	

Source: City of Jackson Finance Department

## **Operating Information**

**City of Jackson, Michigan**  
**Supplemental Disclosure Information**  
**State Equalized Valuation/Taxable Valuation**  
**Fiscal Years Ended June 30, 2003 Through 2007**

**Schedule 19**  
**UNAUDITED**

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)
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
2005	2006	2007	951,807,013	741,982,298	768,149,011

Per Capita 2006 Ad Valorem Taxable Valuation is \$ 20,486 and Per Capita 2006 Total Taxable Valuation is \$ 21,209 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				
	2002	2003	2004	2005	2006
<b>Use:</b>					
Commercial	26.67%	27.30%	27.18%	27.43%	28.63%
Industrial	25.74%	31.50%	30.72%	29.10%	25.77%
Residential	47.59%	41.20%	42.10%	43.47%	45.60%
	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Class:</b>					
Real	82.33%	87.20%	87.56%	88.60%	88.54%
Personal	17.67%	12.80%	12.44%	11.40%	11.46%
	100.00%	100.00%	100.00%	100.00%	100.00%

Source: City of Jackson Assessor Department

**City of Jackson, Michigan**  
**Supplemental Disclosure Information**  
**Revenue Bond Coverage - Sewer Fund**  
**Last Ten Fiscal Years**

Schedule 20  
 UNAUDITED

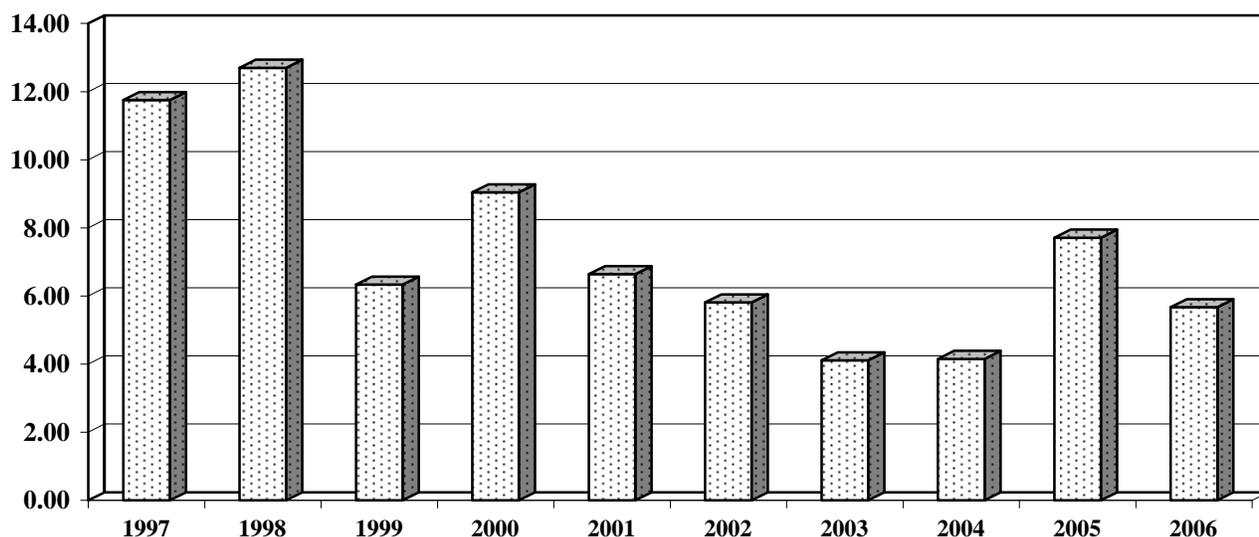
Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest and Fiscal Charges	Total	
1997	\$ 4,257,543	\$ 2,597,810	\$ 1,659,733	\$ 75,000	\$ 66,245	\$ 141,245	11.75
1998	5,415,049	2,815,498	2,599,551	120,000	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
2006	4,933,612	3,591,992	1,341,620	175,000	61,775	236,775	5.67

(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**  
**Supplemental Disclosure Information**  
**Revenue Bond Coverage - Water Fund**  
**Last Ten Fiscal Years**

Schedule 21  
**UNAUDITED**

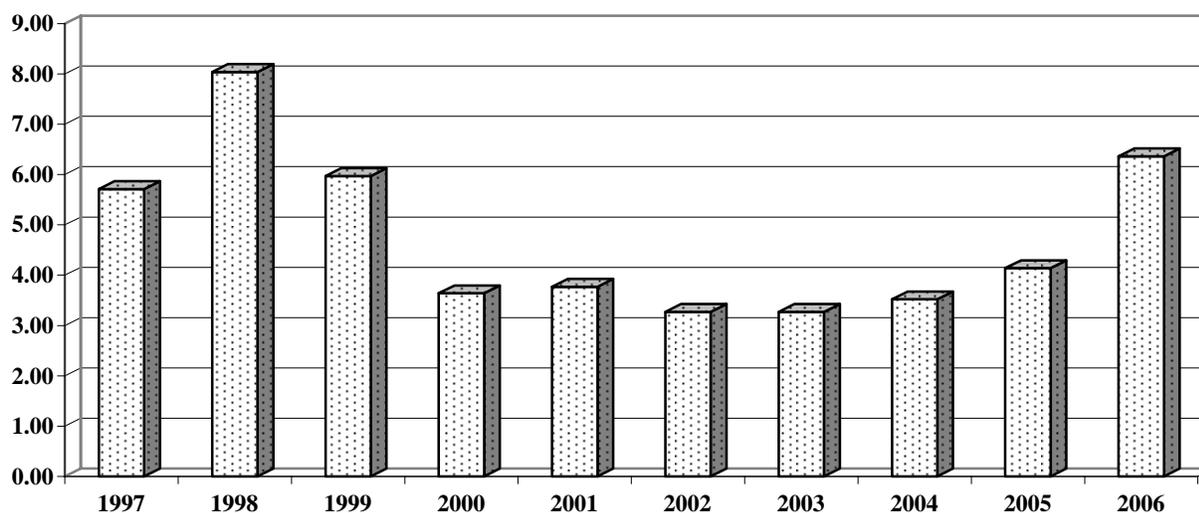
Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest and Fiscal Charges	Total	
1997	\$ 4,975,763	\$ 3,416,228	\$ 1,559,535	\$ 150,000	\$ 122,938	\$ 272,938	5.71
1998	5,784,694	3,694,653	2,090,041	150,000	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
2006	6,602,311	4,601,362	2,000,949	195,000	119,718	314,718	6.36

(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**  
**Supplemental Disclosure Information**  
**Water Supply System**  
**Last Five Fiscal Years**

Schedule 22  
UNAUDITED

	Fiscal Year Ended June 30				
	2002	2003	2004	2005	2006
<b><u>Water Pumped vs. Water Sold: (in million gallons)</u></b>					
Pumped	2,380.2	2,521.7	2,389.0	2,324.3	2,399.6
Sold	2,045.9	2,203.7	2,018.2	1,973.6	2,002.6
Sold as a % of Pumped	85.95%	87.39%	84.48%	84.91%	83.46%
<b><u>Number of Customers:</u></b>					
Residential	12,502	12,573	12,545	12,521	13,172
Commercial	1,766	1,771	1,814	1,814	1,948
Industrial	183	202	191	189	204
Total	14,451	14,546	14,550	14,524	15,324
<b><u>Percent of Water Consumption by Category:</u></b>					
Residential	39.14%	37.23%	39.76%	36.66%	36.82%
Commercial	39.46%	38.15%	40.54%	42.33%	41.31%
Industrial	21.40%	24.62%	19.70%	21.01%	21.87%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
<b><u>History of Water Rates</u></b> <i>(average consumption - 22 HCF / average 5/8 inch meter)</i>					
Metered per quarter	\$ 53.32	\$ 54.90	\$ 56.37	\$ 57.85	\$ 57.85
% Change (in average consumption)	2.99%	2.96%	2.68%	2.63%	0.00%
<b><u>Water Supply System Annual Revenues:</u></b>					
Metered revenue	\$ 5,494,186	\$ 5,806,234	\$ 5,900,474	\$ 6,018,706	\$ 6,058,562
% Increase (Decrease)	2.61%	5.68%	1.62%	2.00%	0.66%
<b><u>Water Supply System Revenues By User Class:</u></b>					
Residential	\$ 2,752,020	\$ 2,813,808	\$ 2,993,171	\$ 2,967,222	\$ 2,879,595
Commercial	2,078,886	2,202,976	2,224,591	2,365,953	2,444,043
Industrial	674,502	789,450	682,712	685,531	716,448
Sewer - Billing & Collection Charges	167,709	180,828	197,516	196,936	192,184
Total	\$ 5,673,117	\$ 5,987,062	\$ 6,097,990	\$ 6,215,642	\$ 6,232,270
<b><u>Water Supply Revenues By User Class as a % of Total Revenues:</u></b>					
Residential	48.51%	47.00%	49.08%	47.74%	46.20%
Commercial	36.64%	36.80%	36.48%	38.06%	39.22%
Industrial	11.89%	13.19%	11.20%	11.03%	11.50%
Sewer - Billing & Collection Charges	2.96%	3.01%	3.24%	3.17%	3.08%
Total	100.00%	99.99%	100.00%	100.00%	100.00%

Source: City Water Department

**City of Jackson, Michigan**  
**Supplemental Disclosure Information**  
**Water Supply System**  
**Ten Largest Water Customers - By Usage**  
**For the Fiscal Year Ended June 30, 2006**

Schedule 23  
UNAUDITED

<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>
Kinder Morgan Energy	155,370	5.80%	129,622	2.08%
Foote Hospital, Inc.	76,780	2.87%	72,778	1.17%
** Eaton Aeroquip Corp.	55,532	2.07%	67,226	1.08%
Elm Plating	55,155	2.06%	64,726	1.04%
Wolverine Technologies	51,390	1.92%	54,668	0.88%
Industrial Steel Treating	50,968	1.90%	54,970	0.88%
* Kaneka Texas Corp.	39,260	1.47%	45,844	0.74%
Commonwealth Commerce Center	35,508	1.33%	37,773	0.61%
** Consumers Energy	34,290	1.28%	55,461	0.89%
Jackson Tumble Finish	27,006	1.01%	30,446	0.49%

(1) Unit = Hundred Cubic Feet (HCF)

(2) Based on June 30, 2006 total water consumption of 2,677,307 HCF.

(3) Based on June 30, 2006 Water Supply System Revenues By User Class (Table 18) of \$ 6,232,270.

\* Located outside of City limits.

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

Source: City Water Department

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

Schedule 24  
 UNAUDITED

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<b>Year of Transfer To Ad Valorem Tax Roll</b>	<b>(1) I.F.T. S.E.V. Amount</b>
2007	\$ 1,098,650
2008	3,093,350
2009	1,315,250
2010	4,717,700
2011	938,450
2012	2,907,350
2013	2,499,713
2014	1,832,700
2015	110,600
2016	3,244,400
2017	3,196,300
2018	1,166,750
	\$ 26,121,213

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

Source: City Assessor Department

**City of Jackson, Michigan**  
**Supplemental Disclosure Information**

Schedule 25  
**UNAUDITED**

**Tax Increment Revenues, Debt Service and Debt Service Coverage**

**Downtown Development Authority Bonds**

Fiscal Year	Tax Increment Revenues	Debt Service	(1) Capitalized Interest	(2) DDA Budgetary Commitments	Excess Tax Increment Revenues	Debt Service Coverage
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
2006	872,740	815,790	-	29,717	27,233	1.07

(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.

**Brownfield Redevelopment Authority Bonds**

Fiscal Year	Tax Increment Revenues (2)	Debt Service	(3) Capitalized Interest	Excess Tax Increment Revenues	Debt Service Coverage
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	-
2006	1,074,376	955,469	-	118,907	1.12

(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**

Schedule 26  
**UNAUDITED**

<b>Fiscal Year</b>	<b>Gas &amp; Weight Tax Revenues</b>	<b>(1) Maximum Annual Debt Service</b>	<b>Historical Debt Service Coverage</b>
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
2006	2,569,413	284,480	9.03

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

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

**City of Jackson, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant/ Agreement/ Account Number	Federal CFDA Number	Accrued (Deferred) Revenue July 1, 2005	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>						
Passed-Through Region 2 Planning Consortium						
Jackson County Cooperative Alcohol Enforcement		20.601	\$ 2,500	\$ 8,747	\$ 11,247	-
Jackson County Seat Belt Enforcement		20.602	-	5,008	2,336	2,672
Total U.S. Department of Transportation			2,500	13,755	13,583	2,672
<b>DEPARTMENT OF JUSTICE:</b>						
Direct Program:						
Local Law Enforcement Block Grant		16.592	(33,079)	28,808	(4,271)	-
Bulletproof Vest Partnership		16.607	-	5,397	2,675	2,722
Byrne Justice Assistance Grant-Communications Equipment		16.738	-	66,896	-	66,896
Passed-Through Michigan Department of Human Services:						
Administered by United Way of Jackson County:						
Juvenile Justice and Delinquency Prevention		16.540	29,161	46,062	75,223	-
Passed-Through Michigan Community Health Department:						
Byrne Formula grant-Crime Prevention Strategy Partnership Park		16.579	3,150	27,447	30,597	-
Byrne Formula grant-LAWNNET Enhancement Project		16.580	8,507	13,907	22,414	-
Byrne Formula grant-LAWNNET Enhancement Project		16.580	-	43,252	31,247	12,005
Total Department of Justice			7,739	231,769	157,885	81,623
<b>DEPARTMENT OF HOMELAND SECURITY</b>						
Direct Program:						
Disaster Grant - Public Assistance		97.036	-	75,607	75,607	-
Passed-Through Michigan Department of State Police:						
Disaster Grant - Public Assistance (EMAC)		97.036	-	22,310	22,310	-
Assistance to Firefighters		97.044	-	13,322	13,322	-
Total Department of Homeland Security			-	111,239	111,239	-

**City of Jackson, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant/ Agreement/ Account Number	Federal CFDA Number	Accrued (Deferred) Revenue July 1, 2005	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>						
Direct Program: Brownfield Assessment		66.818	\$ 4,423	\$ 139,830	\$ 138,673	\$ 5,580
Total Environmental Protection Agency			4,423	139,830	138,673	5,580
<b>U.S. DEPARTMENT OF HUD:</b>						
Direct Programs:						
Community Development Block Grant-Entitlement	B01MC260021	14.218	-	40,462	40,462	-
Community Development Block Grant-Entitlement	B02MC260021	14.218	-	113,851	113,851	-
Community Development Block Grant-Entitlement	B03MC260021	14.218	-	672,362	672,362	-
Community Development Block Grant-Entitlement	B04MC260021	14.218	(91,545)	632,029	540,484	-
Community Development Block Grant-Entitlement	B05MC260021	14.218	-	871,837	884,692	(12,855)
HOME	M04MC260214	14.239	(60,577)	-	-	(60,577)
HOME	M05MC260214	14.239	-	183,588	206,425	(22,837)
Total U.S. Department of HUD			(152,122)	2,514,129	2,458,276	(96,269)
<b>TOTAL FEDERAL ASSISTANCE-</b> <b>7/1/2004-6/30/2005</b>			<b>\$ (137,460)</b>	<b>\$ 3,010,722</b>	<b>\$ 2,879,656</b>	<b>\$ (6,394)</b>

**Reconciliation to Financial Statements:**

Current year expenditures-SEFA, per above  
Federal Highway Funds Administered by Michigan Department of Transportation

**Federal Revenue per Financial Statements**

\$ 3,010,722  
1,647,660  
**\$ 4,658,382**

## City of Jackson, Michigan

### Note to Schedule Of Expenditures of Federal Awards

For the Year Ended June 30, 2006

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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 \$960,000 at June 30, 2006.

**Note 3**      **Subrecipients**

The City passed through approximately \$209,000 in federal funds to subrecipient agencies.



**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 17, 2006

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, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2006. 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's 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 black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.



**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 17, 2006

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 its major federal program for the year ended June 30, 2006. The City of Jackson's major federal program is 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 its major federal program 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.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

## **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's 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

# City of Jackson

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2006

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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?

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

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

Unqualified

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

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

# City of Jackson

## Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2006

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### 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

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

Auditee qualified as low-risk auditee?      \_\_\_ yes    X no

### SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

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

No matters were reported.

### SECTION IV – PRIOR YEAR FINDINGS

#### 2006-1 Community Development Block Grant (CDBG) – Accounting and Reporting

The Community Development Department has implemented procedures to provide a reconciliation of the amounts reported on financial status reports to the underlying financial accounting system records. The procedures include reconciliations of entitlement revenue, program revenue and expenditures. The Department is currently showing a variance of \$277,558 from the HUD reporting system to the financial accounting system records. The HUD reporting system shows the amount to be available for expenditures.

\* \* \* \* \*