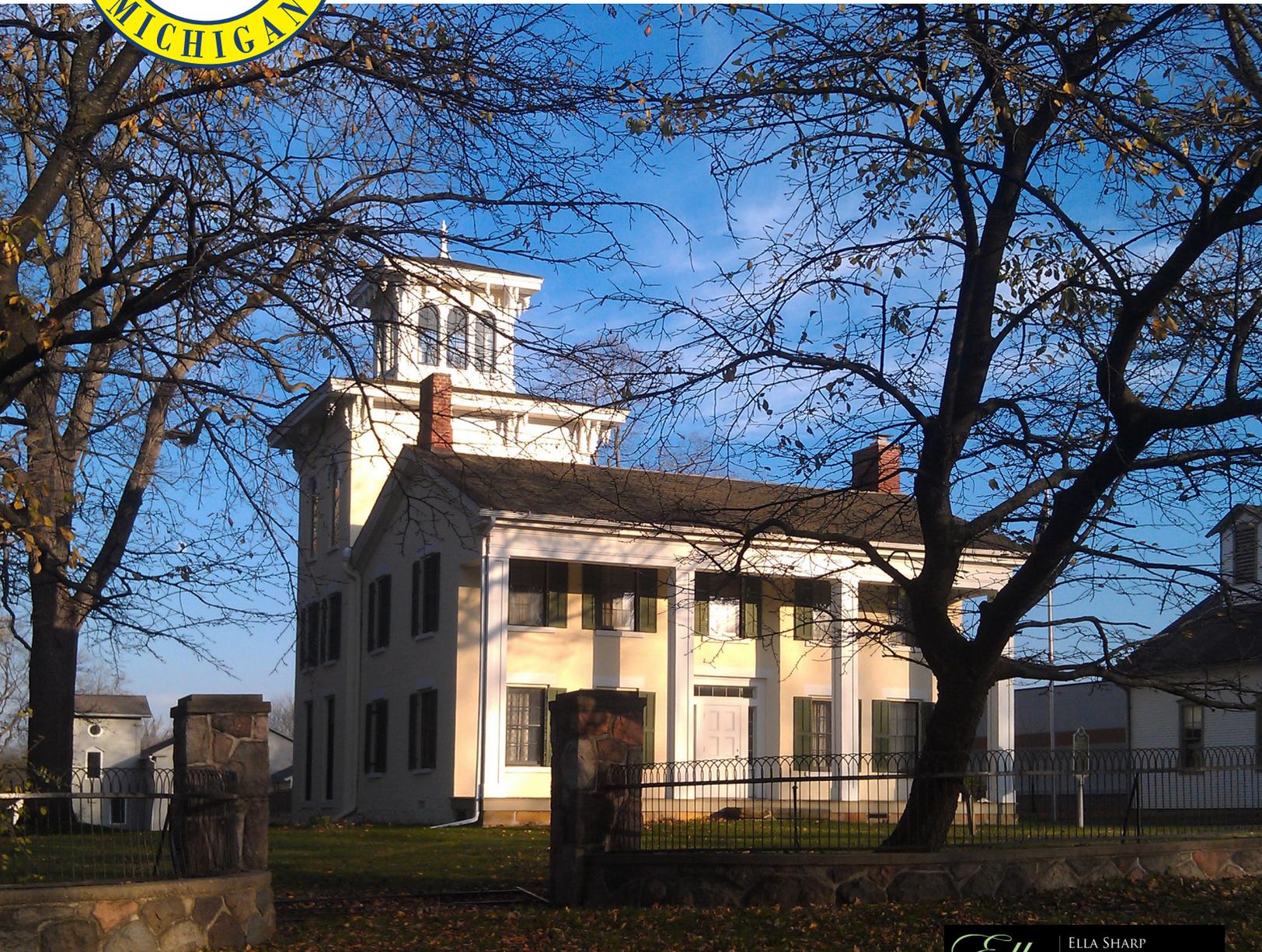


# City of Jackson

**Fiscal Year Ended  
June 30, 2012**



*2012 Comprehensive Annual Financial Report*



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# **CITY OF JACKSON, MICHIGAN**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2012**

**Including  
Single Audit Act Compliance**

**Prepared by:**

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

# CITY OF JACKSON, MICHIGAN

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For the Fiscal Year Ended June 30, 2012

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## INTRODUCTORY SECTION



December 15, 2012

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, 2012.

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, 2012 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, 2012 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 33,445 based on the 2010 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 Jackson area 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 the City of Jackson had some successes throughout 2011 and into 2012. In March 2011 the Jackson Metropolitan area was ranked by Site Selection Magazine as one of the top 10 metropolitan areas of less than 200,000 population as a place to do business. During calendar year 2011 over \$45 million was invested in plant and equipment in the Jackson County area with a large portion of that occurring within the City. In addition, the Armory Arts Project has achieved full occupancy and continues to receive national exposure. Jackson area business has invested over \$50.1 million in 2011 and created 229 jobs county-wide.

Within the City, EPA brownfield funds continue to be used to assist developers with the purchase and expansion of businesses. The U.S. EPA Assessment Grant and LSRRF dollars continues to support both private sector developers and public sector projects. Following an award of a \$1 million revolving loan fund in 2008, the City recently received a subsequent \$400,000 supplemental grant by the U.S. EPA, the majority of which will be utilized in the coming months to remove asbestos and demolish the former Consumers Energy Headquarters in downtown Jackson.

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.

Long-term financial planning. The City's ad valorem (real and personal property) taxable value has grown nearly 57% since fiscal year 2002 to over \$768 million in fiscal year 2009. The City has experienced, as have other communities in Michigan as well as across the country, a decline in the past four fiscal years to approximately \$642 million. State equalized values (50% of estimated true market values) have also declined - for the fifth year in a row - to \$662 million. Market values, especially in the residential sector, can be expected to continue to show minimal losses in the future as the housing markets continue to suffer from the nationwide mortgage crisis.

This decrease in the assessed value of taxable property in the City has been further 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 continue to create a trend toward ever-tightening budgets under which the City must operate.

The City receives sales tax distributions from the State based on constitutional as well as statutory provisions. Beginning with fiscal year 2012 the City continued to receive the constitutional portion - about \$2.4 million - in sales tax distributions from the State. The statutory portion, however, became dependent on the City's compliance with recently enacted legislation associated with the Governor's Economic Vitality Incentive Program (EVIP). This Program involves meeting criteria relating to accountability and transparency, service sharing and consolidation, and employee compensation best practices. The City has, under these incentive programs, retained approximately two-thirds of the statutory portion of revenue sharing that has been eliminated, or approximately \$1.48 million, by demonstrating compliance in all three areas. One of the City's major revenue categories - income taxes - continues to show steady and sustained growth after declining over \$1.1 million in fiscal year 2010. It may take several years, however, to reach the level attained in fiscal year 2009. Another continuing financial challenge for the City is the escalating costs of insurance - particularly for employees and retirees but also for property and liability. Greater revenue growth together with cost containment measures will continue to be necessary to mitigate future stress on City finances. Together, these two issues continue to impose increasing burdens on the City's fiscal structure and therefore affect the long-term stability of City finances.

Relevant Financial Policies. There have been no situations that have affected the application of the City's standard financial policies.

Major Initiatives. The City is continuing to take steps to reduce operating costs in an effort to maintain fund balances, especially within the governmental funds area. Police and Fire services have always acted in unison with the surrounding townships and county and efforts to further that cooperation are constantly being investigated. The City's Public Works Department works with the County Road Commission more closely than in the past on matters such as bidding for materials (e.g., road salt) and the City provides traffic signal maintenance to many outlying areas. The City's Personnel Department, which was merged into a shared joint department with the County effective in May of 2011, continues to function effectively and has allowed the City and County to share in the costs of a Personnel Director as well as reduce other staffing costs and office expenses. Currently the City is looking at a conversion of radio and communications platforms with the County in the coming months that could also result in improved efficiencies and cost savings. These are just some of the more major efforts the City is taking to reduce operating costs and become more cost efficient, a trend that will be required to continue in light of reduced revenue forecast in the coming fiscal years.

#### 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, 2011. This was the twenty-first 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.

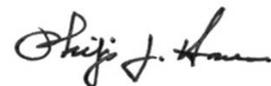
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Patrick H. Burtch, City Manager



Philip J. Hones, City Finance Director

# 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, 2011

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.



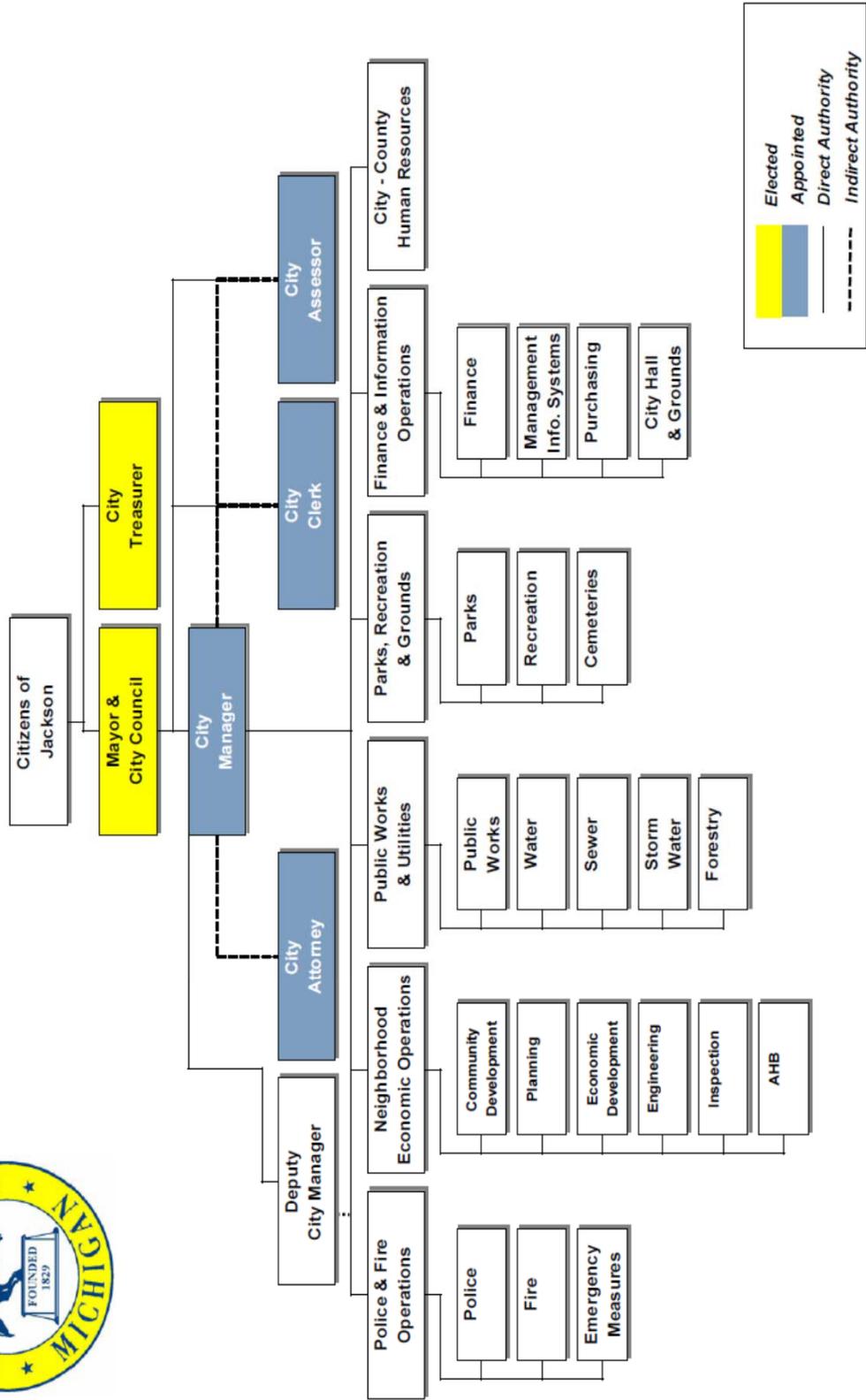
*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

**City of Jackson**  
**Proposed Organizational Structure**  
*As Adopted by the City Council 6/26/12*



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



**CITY COUNCIL**

**Martin J. Griffin, Mayor**

<b>Carl L. Breeding</b>	<b>1st Ward</b>
<b>Kimberly Jaquish</b>	<b>2nd Ward</b>
<b>Daniel P. Greer</b>	<b>3rd Ward</b>
<b>Laura D. Schlecte</b>	<b>4th Ward</b>
<b>Andrew R. Frounfelker</b>	<b>5th Ward</b>
<b>Derek J. Dobies</b>	<b>6th Ward</b>

**CITY OFFICIALS**

**Patrick H. Burtch, City Manager**

<b>Patrick H. Burtch</b>	<b>Neighborhood &amp; Economic Operations Director</b>
<b>Patrick H. Burtch</b>	<b>Director of Public Works</b>
<b>Crystal Dixon (County)</b>	<b>Director of Human Resources</b>
<b>Lynn Fessel</b>	<b>City Clerk</b>
<b>Julius Giglio</b>	<b>City Attorney</b>
<b>Matthew Heins</b>	<b>Director of Police and Fire Services</b>
<b>Philip J. Hones</b>	<b>Director of Finance</b>
<b>Kelli Hoover</b>	<b>Director of Parks, Recreation &amp; Grounds</b>
<b>David Taylor</b>	<b>City Assessor</b>
<b>Andrew J. Wrozek, Jr.</b>	<b>City Treasurer/Income Tax Administrator</b>

## FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

December 15, 2012

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*, (the "City") as of and for the year ended June 30, 2012, 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'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, 2012, 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 December 15, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the historical pension and other postemployment benefits information as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 schedule of expenditures of federal awards and the combining and individual fund financial statements and schedules 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

# CITY OF JACKSON, MICHIGAN

## 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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$111,536,900 (*net assets*). Of this amount, \$16,552,969 (*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 \$8,882,570.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,832,551, an increase of \$1,871,887 in comparison with the prior year. Approximately 27 percent of this total amount, or \$2,414,494, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,372,517, or 18 percent of total general fund expenditures.
- The City's total bonded debt decreased by \$1,781,000 during the current fiscal year; \$13,025,000 new debt issued, \$13,615,000 in existing debt defeased and existing debt of \$1,191,000 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 shows 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, stormwater utility and water and sewer operations.

## CITY OF JACKSON, MICHIGAN

### Management's Discussion and Analysis

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.

**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 33 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, major streets and special assessment capital projects funds, each of which are considered to be major funds. Data from the other 29 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.

**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 purification and distribution and parking deck operations while the operations of the City's golf practice center, its remaining parking system and the stormwater utility 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 and health care deductible self-insurance programs, the motor pool and garage operations, public works and engineering administration and for the Brownfield Redevelopment Authority's local site remediation activities. 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 individual internal service 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, all of which are considered to be major funds of the City.

# CITY OF JACKSON, MICHIGAN

## Management's Discussion and Analysis

*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.

*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.

*Other information.* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes schedules concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information.

### 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 \$111,536,900 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (81 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.

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and other assets	\$16,029,492	\$14,401,594	\$21,379,668	\$19,670,617	\$ 37,409,160	\$ 34,072,211
Capital assets	73,658,539	70,458,340	58,473,376	57,648,839	132,131,915	128,107,179
<b>Total assets</b>	<b>89,688,031</b>	<b>84,859,934</b>	<b>79,853,044</b>	<b>77,319,456</b>	<b>169,541,075</b>	<b>162,179,390</b>
<b>Liabilities</b>						
Long-term liabilities outstanding	42,808,727	54,583,597	924,027	1,324,628	43,732,754	55,908,225
Other liabilities	13,176,299	2,405,996	1,095,122	1,210,839	14,271,421	3,616,835
<b>Total liabilities</b>	<b>55,985,026</b>	<b>56,989,593</b>	<b>2,019,149</b>	<b>2,535,467</b>	<b>58,004,175</b>	<b>59,525,060</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	32,867,134	27,905,286	57,808,727	56,651,540	90,675,861	84,556,826
Restricted	4,240,770	4,234,677	67,300	167,600	4,308,070	4,402,277
Unrestricted (deficit)	(3,404,899)	(4,269,622)	19,957,868	17,964,849	16,552,969	13,695,227
<b>Total net assets</b>	<b>\$33,703,005</b>	<b>\$27,870,341</b>	<b>\$77,833,895</b>	<b>\$74,783,989</b>	<b>\$111,536,900</b>	<b>\$102,654,330</b>

# CITY OF JACKSON, MICHIGAN

## Management's Discussion and Analysis

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, except for governmental activities unrestricted net assets.

	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue:						
Program revenue:						
Charges for services	\$ 4,598,435	\$ 4,996,781	\$15,905,133	\$12,738,380	\$ 20,503,568	\$ 17,735,161
Operating grants and contributions	5,979,625	6,800,210	-	-	5,979,625	6,800,210
Capital grants and contributions	5,321,414	2,363,474	-	-	5,321,414	2,363,474
General revenue:						
Property taxes	9,708,980	9,826,762	-	-	9,708,980	9,826,762
Income taxes	7,297,281	6,977,923	-	-	7,297,281	6,977,923
Grants and contributions not restricted to specific programs	4,061,333	4,750,419	245,514	292,290	4,306,847	5,042,709
Other	100,188	99,733	93,619	101,871	193,807	201,604
Gain on sale of capital assets	-	-	-	-	-	-
<b>Total revenue</b>	<b>37,067,256</b>	<b>35,815,302</b>	<b>16,244,266</b>	<b>13,132,541</b>	<b>53,311,522</b>	<b>48,947,843</b>
Expenses:						
Legislative	78,779	78,998	-	-	78,779	78,998
General government	4,224,454	4,672,731	-	-	4,224,454	4,672,731
Public safety	14,157,903	16,182,495	-	-	14,157,903	16,182,495
Public works	5,509,209	6,604,418	-	-	5,509,209	6,604,418
Culture and recreation	2,764,356	2,891,768	-	-	2,764,356	2,891,768
Community enrichment	3,140,708	3,764,313	-	-	3,140,708	3,764,313
Interest on long-term debt	1,280,723	1,634,370	-	-	1,280,723	1,634,370
Sewer	-	-	5,808,940	5,165,228	5,808,940	5,165,228
Water	-	-	5,923,975	5,718,144	5,923,975	5,718,144
Stormwater utilities	-	-	845,506	88,861	845,506	88,861
Parking system	-	-	632,315	623,946	632,315	623,946
Golf practice center	-	-	62,084	57,314	62,084	57,314
<b>Total expenses</b>	<b>31,156,132</b>	<b>35,829,093</b>	<b>13,272,820</b>	<b>11,653,493</b>	<b>44,428,952</b>	<b>47,482,586</b>
Change in net assets before transfers	5,911,124	(13,791)	2,971,446	1,479,048	8,882,570	1,465,257
Transfers	(78,460)	(27,500)	78,460	27,500	-	-
<b>Change in net assets</b>	<b>5,832,664</b>	<b>(41,291)</b>	<b>3,049,906</b>	<b>1,506,548</b>	<b>8,882,570</b>	<b>1,465,257</b>
Net assets - beginning of year	27,870,341	27,911,632	74,783,989	73,277,441	102,654,330	101,189,073
<b>Net assets - end of year</b>	<b>\$33,703,005</b>	<b>\$27,870,341</b>	<b>\$77,833,895</b>	<b>\$74,783,989</b>	<b>\$111,536,900</b>	<b>\$102,654,330</b>

## CITY OF JACKSON, MICHIGAN

### Management's Discussion and Analysis

The government's net assets increased by \$8,882,570 during the current fiscal year. Governmental activities increased \$5,832,664 while business-type activities increased \$3,049,906. The increase in the governmental activities is drastically larger than the decrease from a year ago of \$41,291 and largely reflects the effort of the government to reduce expenses in virtually every expense category by nearly \$4.7 million. The increase in net assets in the business-type activities reflects revenue increases of over \$3.1 million while expenses increased a modest \$1.6 million, or 13.9 percent. Included in the expense increase is a full year's expenses related to the new stormwater utility enterprise fund of \$845,506, which only had three months of expenses in the prior year following its establishment in April 2011.

**Governmental activities.** Governmental activities increased the City's net assets by \$5,382,664 during fiscal year 2012. As indicated earlier, this increase is significantly larger than the decrease of a year ago of \$41,291. Overall expenses decreased \$4,672,961 or 13 percent, as the government began taking steps to reduce expenses in response to declining revenues through department consolidations as well as program and staffing reductions. Other elements of this decrease are as follows:

- Operating grants and contributions decreased \$820,585 or 12%, in comparison with the prior fiscal year. Community development and enrichment grants declined approx. \$1.2 million, public safety grants declined approx. \$475,000 and public works declined over \$207,000. These declines were offset by increases in the general government category grants of approx. \$1.1 million. Other smaller grant increases from the prior year offset this decrease.
- Capital grants and contributions increased \$2,957,940 in comparison with the prior year largely from the increased street construction grant funds in the major street special revenue fund which made up over 98% of that increase.
- Property taxes declined nearly \$118,000 as total taxable value declined for the fourth year in a row. The actuarial requirement for the government's police and fire pension - funded with a dedicated tax levy - increased slightly from the prior year by approx. \$54,000 or 2 percent, as did the city hall debt levy which increased by approx. \$22,000 or 3.5 percent.
- After declining over \$1.1 million in fiscal year 2010, income taxes have shown modest but steady growth during fiscal year 2011 increasing slightly over 7 percent, and fiscal year 2012 where the increase was approx. 4.6 percent. The City is optimistic that income tax revenues have reached their low point and will continue to grow, although at a slower pace than experienced in past years.
- Grants and contributions not restricted to specific purposes as well as other revenues reflected minimal changes in total from the prior fiscal year.

**Business-type activities.** Business-type activities increased the City's net assets by \$3,049,906 during fiscal year 2012. This increase resulted from an increase in the sewage fund totaling \$756,690 and the water fund of \$2,171,857 offset by a decrease in the parking deck fund of \$242,877. The nonmajor enterprise funds in total reflected an increase in net assets of \$381,245.

Key elements of this increase are as follows:

- During the fiscal year sewer and water rates increased approximately 10 percent for a typical water and sewer user. This follows a similar increase that was implemented in fiscal year 2011, however, prior to that time the City had gone five years without an increase - since July 1, 2004. The sewer fund charges for services increased over \$1.2 million (23.7 percent) from the previous fiscal year due largely to this rate increase as well as increases in the volume.
- Water charges for services increased \$1.1 million, or 15.9 percent, also as a result of the rate increase noted above as well as an increase in volume of 4.2 percent from the prior fiscal year. The total number of water customers remained relatively unchanged from a year ago.

# CITY OF JACKSON, MICHIGAN

## Management's Discussion and Analysis

- The stormwater utility fund, a nonmajor enterprise fund, began operations April 1, 2011. The net assets for this fund increased \$370,403 during fiscal year 2012; \$218,657 of that increase is due to the increase in revenue and will likely stabilize at that level for the next several years.

### 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, *unassigned 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 \$8,832,551, an increase of \$1,871,887 in comparison with the prior year. Approximately 27 percent of this total amount, or \$2,414,494, is available for spending at the government's discretion (unassigned fund balance). The remainder of fund balance is 1) nonspendable to indicate that it is not available for new spending because it must be maintained intact for inventories \$122,866, prepaid expenditures \$5,845, funds advanced on a long term basis \$130,000, cemetery perpetual care \$1,875,973 and endowments related to Ella Sharp Park and facilities \$1,089,657; 2) restricted to indicate limitations on its use imposed by grants or legislation, which total \$2,871,925; and 3) committed which indicate funds that have self-imposed limitations, which total \$321,791. A summary of the nonspendable, restricted and committed components of fund balance can be found in the notes to financial statements section of this report.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,372,517, while total fund balance was \$3,427,172. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.8 percent of total general fund expenditures while total fund balance represents 18.1 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$796,927 during the current fiscal year. The City continues to experience declines in property taxes, however, the government is seeing some improvement in income taxes revenues as noted in a previous section regarding governmental activities. Total expenditures have been reduced \$1,918,730, or 9.2 percent, from the prior fiscal year in an effort to match budgeted expenditures with revenues and reduce the use of fund surplus to balance the budget each year.

The community development block grant special revenue fund had a small increase of \$40,383 in fund balance for the current year resulting in an ending total of \$386,497. This entire ending fund balance is restricted for the City's residential property rehabilitation programs.

The major streets special revenue fund's fund balance increased \$223,669 from the prior fiscal year leaving a total surplus of \$787,037 at fiscal year-end. Street construction, maintenance, winter maintenance and trunkline maintenance declined from the previous year while there were increased levels of activity in traffic services and state highway construction, which is largely funded with federal and state grants. Two large projects - the West Avenue bridge and Ganson Street repaving - were started in fiscal year 2012 and completed in the current fiscal year.

The special assessment capital projects fund, which is used to account for special assessments levied to finance public improvements or services deemed to benefit only the properties against which the assessments are levied, increased the amount of its fund deficit by \$120,327. This fund, which has a deficit by its nature, recorded \$343,539 in new assessment rolls receivable during the fiscal year while receiving collections on such receivables totaling \$223,210.

# CITY OF JACKSON, MICHIGAN

## Management's Discussion and Analysis

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

Unrestricted net assets of the sewage fund and water fund at the end of the year amounted to \$9,390,675 and \$8,870,737, respectively. The sewage fund had an increase in net assets for the year of \$756,690, whereas the water fund had an increase of \$2,171,857. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

Differences between the original and final amended budgeted revenues were largely attributable to the City's ability to qualify for the state's EVIP funds (see Letter of Transmittal) and to a lesser extent the increase in income taxes over that initially projected.

Expenditures were favorable when compared to budget in total by \$615,932. Those general fund activity budgets that were exceeded were, in most instances, due to unanticipated year-end expenditures. The actual increase in fund balance of \$796,927 exceeded the anticipated budgeted increase of \$264,519 by \$532,408, or 2.8 percent of expenditures.

### Capital Asset and Debt Administration

*Capital assets.* The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounted to \$132,131,915 (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 net increase in the City's investment in capital assets for the current fiscal year was \$4,042,736 or 3.14 percent.

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

- Infrastructure improvements of approximately \$3.9 million comprised largely of street and bridge construction.
- Various water and sewer system improvements totaling approximately \$2.8 million, including water distribution mains of \$1.2 million and sewer line replacements of approximately \$467,000.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,423,583	\$ 2,423,583	\$ 8,956,886	\$ 8,956,886	\$ 11,380,469	\$ 11,380,469
Construction in progress	-	-	-	304,279	-	304,279
Systems	-	-	34,974,655	34,755,314	34,974,655	34,755,314
Land improvements	13,243,163	13,558,427	1,523,376	1,586,862	14,766,539	15,145,289
Infrastructure	40,647,766	36,711,378	-	-	40,647,766	36,711,378
Buildings and improvements	11,272,474	11,530,358	11,202,041	10,031,547	22,474,515	21,561,905
Park and recreation facilities	4,254,743	4,103,476	-	-	4,254,743	4,103,476
Machinery and equipment	1,816,810	2,131,118	1,816,418	2,013,951	3,633,228	4,145,069
<b>Total</b>	<b>\$73,658,539</b>	<b>\$70,458,340</b>	<b>\$58,473,376</b>	<b>\$57,648,839</b>	<b>\$132,131,915</b>	<b>\$128,107,179</b>

Additional information related to capital assets can be found in the notes to the financials statements.

# CITY OF JACKSON, MICHIGAN

## Management's Discussion and Analysis

*Long-term debt.* At the end of the current fiscal year, the City had total bonded debt outstanding of \$41,681,577. Of this amount, \$41,008,577 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).

	Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$41,008,577	\$42,448,577	\$ -	\$ -	\$ 41,008,577	\$ 42,448,577
Revenue bonds	-	-	673,000	1,014,000	673,000	1,014,000
<b>Total</b>	<b>\$41,008,577</b>	<b>\$42,448,577</b>	<b>\$ 673,000</b>	<b>\$ 1,014,000</b>	<b>\$ 41,681,577</b>	<b>\$ 43,462,577</b>

The City's total bonded debt decreased by \$1,781,000 (3.4 percent) during the current fiscal year; \$13,025,000 in new debt was issued, \$13,615,000 in existing debt was defeased and existing debt of \$1,191,000 was 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 ten percent of its total assessed valuation. The current debt limitation for the City is \$66,168,810, which is significantly in excess of the City's outstanding general obligation debt of \$41,008,577.

Additional information related to long-term debt can be found in the notes to the financials statements.

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

The following factors were considered in preparing the City's budget for the 2012/13 fiscal year:

- The unemployment rate for the City is currently 10.2 percent (10/12), which is a decrease from a rate of 12.3 percent a year ago (10/11). While this compares unfavorably to the state's average unemployment rate of 8.3 percent and the national average rate of 7.5 percent, this decline in the government's unemployment levels should have a positive effect on this year's income tax revenues.
- Ad valorem (real and personal) taxable values of property have decreased 7.1 percent over the prior fiscal year. It is expected that these values will begin to stabilize in the next year or two and begin to show slow but steady growth in the years following.
- Inflationary trends in the region compare favorably to national indices.

During the 2012 fiscal year, unassigned fund balance in the general fund increased to \$3,372,517. The City has currently appropriated \$207,129 of this amount for spending in the 2012/13 fiscal year budget. It is projected that this appropriation will not be necessary as the government continues to make reductions in operating costs while attempting to minimize reduction in staffing levels and still maintain 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, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
<b>Assets</b>					
Pooled cash and investments	\$ 6,465,051	\$ 17,257,359	\$ 23,722,410	\$ 1,882,351	\$ 298,361
Restricted cash:					
Cash on hand with agents	215,646	-	215,646	-	-
Pooled cash and investments	2,977,081	67,300	3,044,381	-	-
Receivables, net	5,501,894	3,888,556	9,390,450	-	19,868
Interfund balances	97,009	(97,009)	-	-	-
Prepays and other assets	772,811	263,462	1,036,273	-	-
Capital assets not being depreciated	2,423,583	8,956,886	11,380,469	-	-
Capital assets being depreciated, net	71,234,956	49,516,490	120,751,446	-	-
<b>Total assets</b>	<b>89,688,031</b>	<b>79,853,044</b>	<b>169,541,075</b>	<b>1,882,351</b>	<b>318,229</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	1,869,854	970,122	2,839,976	859	13,743
Accrued interest payable	145,889	-	145,889	-	-
Unearned revenue	27,344	125,000	152,344	-	19,868
Long-term debt:					
Due within one year	2,910,590	398,117	3,308,707	-	-
Due in more than one year	39,898,137	525,910	40,424,047	-	-
Other noncurrent liability due in more than one year - net other postemployment benefit obligation	11,133,212	-	11,133,212	-	-
<b>Total liabilities</b>	<b>55,985,026</b>	<b>2,019,149</b>	<b>58,004,175</b>	<b>859</b>	<b>33,611</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	32,867,134	57,808,727	90,675,861	-	-
Restricted for:					
Debt service	19,731	67,300	87,031	-	-
Endowments	3,045,630	-	3,045,630	-	-
Public improvement and recreation	788,912	-	788,912	-	-
Rehabilitation programs	386,497	-	386,497	-	-
Unrestricted (deficit)	(3,404,899)	19,957,868	16,552,969	1,881,492	284,618
<b>Total net assets</b>	<b>\$ 33,703,005</b>	<b>\$ 77,833,895</b>	<b>\$ 111,536,900</b>	<b>\$ 1,881,492</b>	<b>\$ 284,618</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, 2012

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 78,779	\$ -	\$ -	\$ -	\$ (78,779)
General government	4,224,454	2,237,869	1,404,895	-	(581,690)
Public safety	14,157,903	944,166	395,167	-	(12,818,570)
Public works	5,509,209	239,167	2,641,304	5,306,312	2,677,574
Culture and recreation	2,764,356	974,093	37,492	-	(1,752,771)
Community enrichment and development	3,140,708	138,140	1,500,767	15,102	(1,486,699)
Interest on long-term debt	1,280,723	65,000	-	-	(1,215,723)
<b>Total governmental activities</b>	<b>31,156,132</b>	<b>4,598,435</b>	<b>5,979,625</b>	<b>5,321,414</b>	<b>(15,256,658)</b>
Business-type activities:					
Sewer	5,808,940	6,431,551	-	-	622,611
Water	5,923,975	7,852,252	-	-	1,928,277
Stormwater utilities	845,506	1,257,460	-	-	411,954
Parking system	632,315	310,801	-	-	(321,514)
Golf practice center	62,084	53,069	-	-	(9,015)
<b>Total business-type activities</b>	<b>13,272,820</b>	<b>15,905,133</b>	<b>-</b>	<b>-</b>	<b>2,632,313</b>
<b>Total primary government</b>	<b>\$ 44,428,952</b>	<b>\$ 20,503,568</b>	<b>\$ 5,979,625</b>	<b>\$ 5,321,414</b>	<b>\$ (12,624,345)</b>
<b>Component units</b>					
Brownfield redevelopment authority	\$ 2,371,903	\$ -	\$ -	\$ -	\$ (2,371,903)
Downtown development authority	186,744	70,146	24,000	-	(92,598)
<b>Total component units</b>	<b>\$ 2,558,647</b>	<b>\$ 70,146</b>	<b>\$ 24,000</b>	<b>\$ -</b>	<b>\$ (2,464,501)</b>

continued...

CITY OF JACKSON, MICHIGAN

**Statement of Activities**

For the Fiscal Year Ended June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
Net revenues (expenses)	\$ (15,256,658)	\$ 2,632,313	\$ (12,624,345)	\$ (2,371,903)	\$ (92,598)
General revenues					
Property taxes	9,708,980	-	9,708,980	1,193,210	91,362
Income taxes	7,297,281	-	7,297,281	-	-
Grants and contributions not restricted to specific purposes	4,061,333	245,514	4,306,847	-	1,320
Unrestricted interest earnings	100,188	93,619	193,807	11,370	230
Transfers - internal activities	(78,460)	78,460	-	-	-
Total general revenues and transfers	21,089,322	417,593	21,506,915	1,204,580	92,912
Change in net assets	5,832,664	3,049,906	8,882,570	(1,167,323)	314
Net assets, beginning of year	27,870,341	74,783,989	102,654,330	3,048,815	284,304
Net assets, end of year	\$ 33,703,005	\$ 77,833,895	\$ 111,536,900	\$ 1,881,492	\$ 284,618

concluded

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

## FUND FINANCIAL STATEMENTS

CITY OF JACKSON, MICHIGAN

**Governmental Funds Balance Sheet**  
June 30, 2012

	General	Community Development Block Grant	Major Streets	Special Assessment Capital Projects
<b>Assets</b>				
Pooled cash and investments	\$ 491,276	\$ 279,042	\$ 551,318	\$ -
Accounts receivables, net	284,959	-	46,939	-
Taxes receivable	1,781,390	-	-	-
Other receivables	-	-	-	963,827
Due from other governments	1,197,523	8,908	306,355	-
Due from other funds	326	11,903	-	-
Interfund receivable	214,169	-	-	-
Inventories	-	-	113,717	-
Prepaid expenditures	4,655	-	-	-
Restricted assets - cash and cash equivalents	-	192,337	-	-
Loans receivable	-	313,875	-	-
Long-term advances to other funds	50,000	-	-	-
<b>Total assets</b>	<b>\$ 4,024,298</b>	<b>\$ 806,065</b>	<b>\$ 1,018,329</b>	<b>\$ 963,827</b>
<b>Liabilities</b>				
Accounts payable	\$ 311,707	\$ 42,873	\$ 224,412	\$ -
Accrued payroll	191,877	12,494	6,880	-
Other liabilities	86,723	-	-	-
Due to other funds	151	326	-	-
Interfund payable	-	-	-	90
Deferred revenue	6,668	313,875	-	963,827
Long-term advances from other funds	-	50,000	-	957,933
<b>Total liabilities</b>	<b>597,126</b>	<b>419,568</b>	<b>231,292</b>	<b>1,921,850</b>
<b>Fund balances</b>				
Nonspendable	54,655	-	113,717	-
Restricted	-	386,497	673,320	-
Committed	-	-	-	-
Unassigned (deficit)	3,372,517	-	-	(958,023)
<b>Total fund balances (deficit)</b>	<b>3,427,172</b>	<b>386,497</b>	<b>787,037</b>	<b>(958,023)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,024,298</b>	<b>\$ 806,065</b>	<b>\$ 1,018,329</b>	<b>\$ 963,827</b>

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



Nonmajor Funds	Totals
-------------------	--------

\$ 5,112,272	\$ 6,433,908
257,275	589,173
-	1,781,390
17,312	981,139
174,616	1,687,402
28,914	41,143
-	214,169
9,149	122,866
1,190	5,845
-	192,337
-	313,875
80,000	130,000

<u>\$ 5,680,728</u>	<u>\$ 12,493,247</u>
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\$ 184,748	\$ 763,740
30,691	241,942
-	86,723
40,666	41,143
214,079	214,169
20,676	1,305,046
-	1,007,933

<u>490,860</u>	<u>3,660,696</u>
----------------	------------------

3,055,969	3,224,341
1,812,108	2,871,925
321,791	321,791
-	2,414,494

<u>5,189,868</u>	<u>8,832,551</u>
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<u>\$ 5,680,728</u>	<u>\$ 12,493,247</u>
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# CITY OF JACKSON, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
to Net Assets of Governmental Activities  
June 30, 2012

Fund balances - total governmental funds	\$ 8,832,551
Amounts reported for <i>governmental activities</i> 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.	
Capital assets	182,836,195
Accumulated depreciation	(110,059,505)
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.	
Deferred loans receivable	313,875
Deferred special assessments	963,827
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.	
Net assets of governmental activities accounted for in internal service funds	4,242,781
Portion of internal service funds net assets attributed to business-type funds	17,009
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Unamortized bond discount	236,304
Unamortized bond issuance costs	644,100
Unamortized deferred loss on refunding	692,156
Bonds and installment contracts	(41,578,577)
Unamortized bond premium	(141,288)
Other postemployment benefit obligation	(11,133,212)
Compensated absences	(2,017,322)
Accrued interest on long-term liabilities	(145,889)
Net assets of governmental activities	<u><u>\$ 33,703,005</u></u>

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

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CITY OF JACKSON, MICHIGAN

**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	General	Community Development Block Grant	Major Streets	Special Assessment Capital Projects
<b>Revenues</b>				
Property taxes	\$ 6,842,985	\$ -	\$ -	\$ -
Income taxes	7,297,281	-	-	-
Licenses and permits	262,775	-	-	-
Intergovernmental	3,964,157	1,450,466	7,059,493	-
Charges for services	1,222,262	-	-	-
Fines and forfeits	199,216	-	-	-
Special assessments	-	-	-	223,209
Investment income	17,945	1,561	307	-
Parking fees	-	-	-	-
Miscellaneous	292,346	108,949	143,475	-
<b>Total revenues</b>	<b>20,098,967</b>	<b>1,560,976</b>	<b>7,203,275</b>	<b>223,209</b>
<b>Expenditures</b>				
<b>Current:</b>				
Legislative	78,779	-	-	-
General government	4,111,378	-	-	-
Public safety	12,399,958	541,060	-	-
Public works	645,059	-	7,221,380	-
Culture and recreation	1,530,163	-	-	-
Community enrichment and development	163,125	979,533	-	-
Capital outlay	-	-	-	-
<b>Debt service:</b>				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>18,928,462</b>	<b>1,520,593</b>	<b>7,221,380</b>	<b>-</b>
<b>Revenues over (under) expenditures</b>	<b>1,170,505</b>	<b>40,383</b>	<b>(18,105)</b>	<b>223,209</b>
<b>Other financing sources (uses)</b>				
Proceeds from issuance of debt	-	-	-	-
Discount on bonds	-	-	-	-
Premium on bonds	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Transfers in	72,422	-	702,143	-
Transfers out	(446,000)	-	(460,369)	(343,536)
<b>Total other financing sources (uses)</b>	<b>(373,578)</b>	<b>-</b>	<b>241,774</b>	<b>(343,536)</b>
<b>Net change in fund balances</b>	<b>796,927</b>	<b>40,383</b>	<b>223,669</b>	<b>(120,327)</b>
<b>Fund balances (deficit), beginning of year</b>	<b>2,630,245</b>	<b>346,114</b>	<b>563,368</b>	<b>(837,696)</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 3,427,172</b>	<b>\$ 386,497</b>	<b>\$ 787,037</b>	<b>\$ (958,023)</b>

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

Nonmajor Funds	Totals
\$ 2,745,669	\$ 9,588,654
-	7,297,281
-	262,775
2,940,053	15,414,169
2,583,990	3,806,252
-	199,216
-	223,209
115,114	134,927
15,102	15,102
48,841	593,611
<u>8,448,769</u>	<u>37,535,196</u>
-	78,779
-	4,111,378
995,967	13,936,985
838,408	8,704,847
1,156,614	2,686,777
855,385	1,998,043
547,300	547,300
915,000	915,000
1,255,740	1,255,740
471,371	471,371
<u>7,035,785</u>	<u>34,706,220</u>
<u>1,412,984</u>	<u>2,828,976</u>
13,025,000	13,025,000
(69,591)	(69,591)
141,288	141,288
(13,975,326)	(13,975,326)
1,610,302	2,384,867
(1,213,422)	(2,463,327)
<u>(481,749)</u>	<u>(957,089)</u>
931,235	1,871,887
<u>4,258,633</u>	<u>6,960,664</u>
<u>\$ 5,189,868</u>	<u>\$ 8,832,551</u>

# CITY OF JACKSON, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Assets of Governmental Activities  
For the Fiscal Year Ended June 30, 2012

Net change in fund balances - total governmental funds	\$ 1,871,887
Amounts reported for <i>governmental activities</i> 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.	
Capital outlay	7,011,699
Loss on disposal of capital assets	(74,992)
Depreciation expense	(3,587,643)
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.	
Current year special assessment revenue earned greater than receipts	120,326
Current year loan receivable receipts	(650,750)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal payments on long-term liabilities	915,000
Proceeds from issuance of long-term liabilities	(13,025,000)
Payment to refunding bond escrow agent	13,975,326
Premium on refunding bonds	(141,288)
Discount on refunding bonds	69,591
Bond issuance costs	471,371
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.	
Change in accrued interest payable on bonds	17,793
Amortization of bond discount	(11,241)
Amortization of refunding loss	(20,739)
Amortization of bond issuance costs	(10,796)
Change in net other postemployment benefit obligation	(1,373,747)
Change in the accrual of compensated absences	253,756
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.	
Interest revenue from governmental internal service funds	62,484
Net operating loss attributable to business-type activities	17,009
Net operating loss from governmental activities accounted for in internal service funds	(57,382)
Change in net assets of governmental activities	<u>\$ 5,832,664</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

Final Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012				2011 Actual
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>					
Property taxes	\$ 6,898,278	\$ 6,803,778	\$ 6,842,985	\$ 39,207	\$ 7,016,183
Income taxes	7,250,000	7,375,000	7,297,281	(77,719)	6,977,923
Licenses and permits	254,725	258,131	262,775	4,644	270,214
Intergovernmental	2,301,550	3,955,976	3,964,157	8,181	4,835,891
Charges for services	1,259,492	1,163,665	1,222,262	58,597	1,202,033
Fines and forfeits	237,580	170,290	199,216	28,926	224,881
Investment income	66,000	30,035	17,945	(12,090)	28,179
Miscellaneous	249,050	354,348	292,346	(62,002)	730,797
<b>Total revenues</b>	<b>18,516,675</b>	<b>20,111,223</b>	<b>20,098,967</b>	<b>(12,256)</b>	<b>21,286,101</b>
<b>Expenditures</b>					
<b>Current:</b>					
Legislative - City Council	78,582	80,982	78,779	(2,203)	78,998
<b>General government:</b>					
City Manager	248,315	241,703	237,606	(4,097)	237,682
City Clerk - Elections	151,568	163,045	159,352	(3,693)	151,668
Finance	428,698	426,640	426,577	(63)	379,593
City Assessor	295,358	314,698	300,165	(14,533)	298,967
City Attorney	393,824	394,049	387,169	(6,880)	377,447
City Clerk	198,545	193,113	193,084	(29)	186,066
Personnel	166,545	184,791	198,356	13,565	224,932
Purchasing	89,294	90,650	85,892	(4,758)	81,336
City Treasurer	279,341	274,211	274,211	-	261,773
City income tax administration	211,038	204,757	177,527	(27,230)	177,272
Management information services	330,867	329,370	327,455	(1,915)	332,854
City hall and grounds	338,657	336,263	331,319	(4,944)	327,800
Cemeteries	186,363	216,363	220,934	4,571	403,213
Hearing bureau	22,851	22,851	22,850	(1)	20,215
Unallocated	694,527	769,022	768,881	(141)	695,445
<b>Total general government</b>	<b>4,035,791</b>	<b>4,161,526</b>	<b>4,111,378</b>	<b>(50,148)</b>	<b>4,156,263</b>
<b>Public safety:</b>					
<b>Police:</b>					
General	7,268,805	7,325,616	7,148,296	(177,320)	7,328,951
Youth services unit	-	-	-	-	233,960
STEP grant	-	24,899	17,031	(7,868)	-
JCCAE grant	-	4,963	4,962	(1)	10,756
Homeland security grant	-	-	-	-	172,380
Office of Highway Safety program	-	12,000	6,049	(5,951)	-
MCOLES training	-	33,283	22,004	(11,279)	24,653
In-service training	8,478	16,984	8,826	(8,158)	10,169
Consortium training	11,485	46,337	14,637	(31,700)	13,344
<b>Fire:</b>					
Suppression	3,327,889	3,437,053	3,357,124	(79,929)	4,637,980
Police and fire - unallocated	1,684,850	1,795,850	1,776,913	(18,937)	1,543,203
Emergency measures	64,601	64,601	44,116	(20,485)	62,213
<b>Total public safety</b>	<b>12,366,108</b>	<b>12,761,586</b>	<b>12,399,958</b>	<b>(361,628)</b>	<b>14,037,609</b>

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CITY OF JACKSON, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balance**

Final Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012				2011 Actual
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	
Expenditures (concluded)					
Current (concluded):					
Public works:					
Tax property maintenance	\$ 8,000	\$ 12,897	\$ 8,883	\$ (4,014)	\$ 6,821
Civic affairs	43,765	49,790	43,274	(6,516)	43,519
Drains at large	-	-	-	-	42,787
Storm drain construction	-	-	-	-	9,513
Grounds maintenance	42,600	50,320	40,707	(9,613)	41,279
Sidewalk construction	52,000	77,940	40,774	(37,166)	35,650
Street lighting	454,458	501,754	492,901	(8,853)	481,705
Weed control	39,300	52,008	48,174	(3,834)	31,635
Reimbursements	(12,000)	(37,940)	(29,654)	8,286	(33,066)
Total public works	<u>628,123</u>	<u>706,769</u>	<u>645,059</u>	<u>(61,710)</u>	<u>659,843</u>
Culture and recreation:					
Parks and recreation administration	616,109	600,070	592,615	(7,455)	568,053
Parks and facilities maintenance	539,350	518,545	518,119	(426)	488,636
Forestry	186,363	368,379	243,281	(125,098)	487,203
Lt. Nixon memorial pool	131,735	131,735	142,066	10,331	131,565
Sharp Park swimming pool	94,877	94,877	101,704	6,827	89,248
Historical district	11,973	7,870	7,627	(243)	418
Reimbursements	(40,000)	(65,824)	(75,249)	(9,425)	(40,000)
Total culture and recreation	<u>1,540,407</u>	<u>1,655,652</u>	<u>1,530,163</u>	<u>(125,489)</u>	<u>1,725,123</u>
Community enrichment/development:					
Planning	28,213	68,375	66,750	(1,625)	104,410
DDA and equity grants	-	-	-	-	1,000
Land acquisition	50,000	40,000	28,561	(11,439)	39,933
Other	2,500	1,813	1,813	-	3,372
Human relations	57,691	67,691	66,001	(1,690)	40,641
Total community enrichment and development	<u>138,404</u>	<u>177,879</u>	<u>163,125</u>	<u>(14,754)</u>	<u>189,356</u>
Total expenditures	<u>18,787,415</u>	<u>19,544,394</u>	<u>18,928,462</u>	<u>(615,932)</u>	<u>20,847,192</u>
Revenues over (under) expenditures	<u>(270,740)</u>	<u>566,829</u>	<u>1,170,505</u>	<u>603,676</u>	<u>438,909</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	34,106	15,000	-	(15,000)	-
Transfers in	133,500	101,863	72,422	(29,441)	95,662
Transfers out	(50,000)	(419,173)	(446,000)	(26,827)	(167,500)
Total other financing sources (uses)	<u>117,606</u>	<u>(302,310)</u>	<u>(373,578)</u>	<u>(71,268)</u>	<u>(71,838)</u>
Net change in fund balances	(153,134)	264,519	796,927	532,408	367,071
Fund balances, beginning of year	<u>2,630,245</u>	<u>2,630,245</u>	<u>2,630,245</u>	-	<u>2,263,174</u>
Fund balances, end of year	<u>\$ 2,477,111</u>	<u>\$ 2,894,764</u>	<u>\$ 3,427,172</u>	<u>\$ 532,408</u>	<u>2,630,245</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**

Final Budget and Actual - Community Development Block Grant

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012				2011 Actual
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>					
Intergovernmental	\$ 1,727,113	\$ 1,727,113	\$ 1,450,466	\$ (276,647)	\$ 1,865,111
Investment income	1,561	1,561	1,561	-	2,133
Miscellaneous	121,995	121,995	108,949	(13,046)	71,751
<b>Total revenues</b>	<b>1,850,669</b>	<b>1,850,669</b>	<b>1,560,976</b>	<b>(289,693)</b>	<b>1,938,995</b>
<b>Expenditures</b>					
Current:					
Public safety -					
Code enforcement	545,488	545,488	541,060	(4,428)	516,379
Community enrichment and development:					
Rehabilitation	239,521	239,521	102,083	(137,438)	246,930
Rehabilitation loans	3,300	3,300	2,856	(444)	-
Public services	121,527	121,527	121,527	-	215,679
Administration	215,479	215,479	186,063	(29,416)	249,840
Street construction	497,287	497,287	465,756	(31,531)	416,666
Sidewalks and drives	56,171	56,171	29,654	(26,517)	33,066
Forestry	54,000	54,000	35,249	(18,751)	-
Public improvement	-	-	-	-	7,606
Homelessness prevention	117,896	117,896	36,345	(81,551)	268,496
<b>Total expenditures</b>	<b>1,850,669</b>	<b>1,850,669</b>	<b>1,520,593</b>	<b>(330,076)</b>	<b>1,954,662</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>40,383</b>	<b>40,383</b>	<b>(15,667)</b>
Fund balances, beginning of year	346,114	346,114	346,114	-	361,781
<b>Fund balances, end of year</b>	<b>\$ 346,114</b>	<b>\$ 346,114</b>	<b>\$ 386,497</b>	<b>\$ 40,383</b>	<b>\$ 346,114</b>

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

CITY OF JACKSON, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balance**

Final Budget and Actual - Major Streets Fund

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012				2011 Actual
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>					
Intergovernmental	\$ 3,087,891	\$ 6,990,902	\$ 7,059,493	\$ 68,591	\$ 4,144,865
Investment income	-	112	307	195	-
Miscellaneous	162,598	144,824	143,475	(1,349)	468,814
<b>Total revenues</b>	<b>3,250,489</b>	<b>7,135,838</b>	<b>7,203,275</b>	<b>67,437</b>	<b>4,613,679</b>
<b>Expenditures</b>					
Current:					
Public works:					
Street construction	408,000	469,171	410,569	(58,602)	478,936
Street maintenance	399,852	634,370	516,245	(118,125)	646,294
Traffic services	574,183	575,964	557,667	(18,297)	506,984
Winter maintenance	403,622	209,414	149,293	(60,121)	279,125
Trunkline maintenance	209,341	195,100	118,148	(76,952)	270,339
State highway construction	1,418,000	5,311,352	5,469,458	158,106	2,195,756
Reimbursements	-	-	-	-	(25,049)
<b>Total expenditures</b>	<b>3,412,998</b>	<b>7,395,371</b>	<b>7,221,380</b>	<b>(173,991)</b>	<b>4,352,385</b>
<b>Revenues over (under) expenditures</b>	<b>(162,509)</b>	<b>(259,533)</b>	<b>(18,105)</b>	<b>241,428</b>	<b>261,294</b>
<b>Other financing sources (uses)</b>					
Transfers in	662,204	732,033	702,143	(29,890)	760,996
Transfers out	(690,576)	(690,576)	(460,369)	230,207	(658,451)
<b>Total other financing sources (uses)</b>	<b>(28,372)</b>	<b>41,457</b>	<b>241,774</b>	<b>200,317</b>	<b>102,545</b>
<b>Net change in fund balances</b>	<b>(190,881)</b>	<b>(218,076)</b>	<b>223,669</b>	<b>441,745</b>	<b>363,839</b>
<b>Fund balances, beginning of year</b>	<b>563,368</b>	<b>563,368</b>	<b>563,368</b>	<b>-</b>	<b>199,529</b>
<b>Fund balances, end of year</b>	<b>\$ 372,487</b>	<b>\$ 345,292</b>	<b>\$ 787,037</b>	<b>\$ 441,745</b>	<b>\$ 563,368</b>

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

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CITY OF JACKSON, MICHIGAN

Statement of Net Assets - Proprietary Funds  
June 30, 2012

	Enterprise Funds - Business-type Activities			
	Sewage	Water	Parking Deck	Nonmajor Funds
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ 8,459,428	\$ 7,161,407	\$ 1,212,719	\$ 423,805
Accounts receivable, net	1,255,652	2,238,106	-	394,798
Interfund receivable	-	-	-	-
Inventories	-	258,033	-	-
Other assets	-	5,429	-	-
Restricted cash and cash equivalents:				
Cash on hand with agents	-	-	-	-
Bond reserve	40,000	27,300	-	-
<b>Total current assets</b>	<b>9,755,080</b>	<b>9,690,275</b>	<b>1,212,719</b>	<b>818,603</b>
Noncurrent assets:				
Long-term advances	-	-	-	-
Capital assets not being depreciated	154,947	58,369	7,060,843	1,682,727
Capital assets being depreciated, net	16,961,741	21,568,455	10,780,660	205,634
<b>Total noncurrent assets</b>	<b>17,116,688</b>	<b>21,626,824</b>	<b>17,841,503</b>	<b>1,888,361</b>
<b>Total assets</b>	<b>26,871,768</b>	<b>31,317,099</b>	<b>19,054,222</b>	<b>2,706,964</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	205,752	409,193	24,655	83,412
Accrued payroll	35,327	31,993	383	4,407
Interfund payable	-	-	-	-
Accrued compensated absences	10,038	15,079	-	-
Customer deposits	-	175,000	-	-
Unearned revenue	-	-	125,000	-
Current portion of:				
Estimated claims payable	-	-	-	-
Revenue bonds	100,000	264,649	-	-
<b>Total current liabilities</b>	<b>351,117</b>	<b>895,914</b>	<b>150,038</b>	<b>87,819</b>
Noncurrent liabilities:				
Long term advance	-	-	-	80,000
Estimated claims payable, net	-	-	-	-
Revenue bonds payable, net	300,000	-	-	-
Accrued compensated absences, net	73,288	160,973	-	-
<b>Total noncurrent liabilities</b>	<b>373,288</b>	<b>160,973</b>	<b>-</b>	<b>80,000</b>
<b>Total liabilities</b>	<b>724,405</b>	<b>1,056,887</b>	<b>150,038</b>	<b>167,819</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	16,716,688	21,362,175	17,841,503	1,888,361
Restricted for bond reserve	40,000	27,300	-	-
Unrestricted	9,390,675	8,870,737	1,062,681	650,784
<b>Total net assets</b>	<b>\$ 26,147,363</b>	<b>\$ 30,260,212</b>	<b>\$ 18,904,184</b>	<b>\$ 2,539,145</b>

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



	Governmental Activities
Totals	Internal Service
\$ 17,257,359	\$ 2,815,887
3,888,556	148,915
-	45,202
258,033	-
5,429	-
-	215,646
67,300	-
<u>21,476,677</u>	<u>3,225,650</u>
-	1,053,906
8,956,886	-
49,516,490	881,849
<u>58,473,376</u>	<u>1,935,755</u>
<u>79,950,053</u>	<u>5,161,405</u>
723,012	247,075
72,110	17,056
-	45,202
25,117	-
175,000	-
125,000	-
-	256,659
364,649	-
<u>1,484,888</u>	<u>565,992</u>
80,000	95,973
-	256,659
300,000	-
234,261	-
<u>614,261</u>	<u>352,632</u>
<u>2,099,149</u>	<u>918,624</u>
57,808,727	881,849
67,300	-
<u>19,974,877</u>	<u>3,360,932</u>
<u>\$ 77,850,904</u>	<u>\$ 4,242,781</u>

# CITY OF JACKSON, MICHIGAN

## Reconciliation

Net Assets of Enterprise Funds  
to Net Assets of Business-Type Activities  
June 30, 2012

Net assets - enterprise funds	\$ 77,850,904
Amounts reported for <i>business-type activities</i> in the statement of net assets are different because:	
An internal service fund is used by management to charge the costs of certain equipment usage to individual enterprise funds. A portion of the net assets of the internal service fund attributable to these charges are included in business-type activities in the statement of net assets.	
	<u>(17,009)</u>
Net assets of business-type activities	<u>\$ 77,833,895</u>

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

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# CITY OF JACKSON, MICHIGAN

## Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds For the Fiscal Year Ended June 30, 2012

	Enterprise Funds - Business-type Activities			
	Sewage	Water	Parking Deck	Nonmajor Funds
Operating revenues				
Charges for sales and services	\$ 6,431,551	\$ 7,654,613	\$ 254,321	\$ 1,367,009
Administrative fees	-	197,639	-	-
Other	75,147	156,993	-	13,374
<b>Total operating revenues</b>	<b>6,506,698</b>	<b>8,009,245</b>	<b>254,321</b>	<b>1,380,383</b>
Operating expenses				
Personal services	1,498,758	2,401,850	48,564	323,623
Administration	-	-	-	-
Materials and supplies	271,850	88,534	-	3,584
Contractual and other services	3,000,072	2,697,037	191,377	681,669
Benefit payments	-	-	-	-
Depreciation	1,007,816	697,255	262,943	23,921
<b>Total operating expenses</b>	<b>5,778,496</b>	<b>5,884,676</b>	<b>502,884</b>	<b>1,032,797</b>
Operating income (loss)	728,202	2,124,569	(248,563)	347,586
Nonoperating revenues (expenses)				
Investment income	51,489	35,120	5,686	1,324
Interest and fiscal charges	(23,001)	(31,707)	-	(2,250)
<b>Total nonoperating revenues (expenses)</b>	<b>28,488</b>	<b>3,413</b>	<b>5,686</b>	<b>(926)</b>
Income (loss) before transfers	756,690	2,127,982	(242,877)	346,660
Transfers in	-	43,875	-	78,460
Transfers out	-	-	-	(43,875)
Change in net assets	756,690	2,171,857	(242,877)	381,245
Net assets, beginning of year	25,390,673	28,088,355	19,147,061	2,157,900
Net assets, end of year	\$ 26,147,363	\$ 30,260,212	\$ 18,904,184	\$ 2,539,145

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

	Governmental Activities
Totals	Internal Service
\$ 15,707,494	\$ 2,600,918
197,639	-
245,514	1,171,642
<u>16,150,647</u>	<u>3,772,560</u>
4,272,795	1,228,415
-	347,566
363,968	443,507
6,570,155	1,334,570
-	179,837
1,991,935	296,047
<u>13,198,853</u>	<u>3,829,942</u>
<u>2,951,794</u>	<u>(57,382)</u>
93,619	62,484
<u>(56,958)</u>	<u>-</u>
<u>36,661</u>	<u>62,484</u>
2,988,455	5,102
122,335	-
<u>(43,875)</u>	<u>-</u>
3,066,915	5,102
<u>74,783,989</u>	<u>4,237,679</u>
<u>\$ 77,850,904</u>	<u>\$ 4,242,781</u>

## CITY OF JACKSON, MICHIGAN

### Reconciliation

Change in Net Assets of Enterprise Funds  
to Change in Net Assets of Business-Type Activities  
For the Year Ended June 30, 2012

Net change in net assets - total enterprise funds	\$ 3,066,915
Amounts reported for <i>business-type activities</i> in the statement of activities are different because:	
An internal service fund is used by management to charge the costs of certain equipment usage to individual enterprise funds. A portion of the net operating loss attributable to those funds is reported with business-type activities.	<u>(17,009)</u>
Change in net assets of business-type activities	<u><u>\$ 3,049,906</u></u>

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

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CITY OF JACKSON, MICHIGAN

Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended June 30, 2012

	Enterprise Funds - Business-type Activities			
	Sewage	Water	Parking Deck	Nonmajor Funds
Cash flows from operating activities				
Payments to employees	\$ (1,552,723)	\$ (2,498,702)	\$ (48,960)	\$ (323,623)
Payments to vendors and claimants	(2,720,733)	(2,616,369)	(179,899)	(640,838)
Receipts from customers and users	6,426,557	7,543,508	254,321	1,161,726
Receipts for interfund services provided	-	-	-	-
Net cash provided by operating activities	<u>2,153,101</u>	<u>2,428,437</u>	<u>25,462</u>	<u>197,265</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(1,612,561)	(1,203,911)	-	-
Principal and interest paid on long-term debt	(98,001)	(289,357)	-	(2,250)
Interfund advances	-	-	-	-
Net cash used in capital and related financing activities	<u>(1,710,562)</u>	<u>(1,493,268)</u>	<u>-</u>	<u>(2,250)</u>
Cash flows from noncapital financing activities				
Transfers in	-	43,875	-	78,460
Transfers out	-	-	-	(43,875)
Net cash provided by noncapital financing activities	<u>-</u>	<u>43,875</u>	<u>-</u>	<u>34,585</u>
Cash flows from investing activities				
Interest received on investments	<u>51,489</u>	<u>35,120</u>	<u>5,686</u>	<u>1,324</u>
Net change in cash and cash equivalents	494,028	1,014,164	31,148	230,924
Cash and cash equivalents, beginning of year	<u>8,005,400</u>	<u>6,174,543</u>	<u>1,181,571</u>	<u>192,881</u>
Cash and cash equivalents, end of year	<u>\$ 8,499,428</u>	<u>\$ 7,188,707</u>	<u>\$ 1,212,719</u>	<u>\$ 423,805</u>
Classified on the statement of net assets as				
Cash and cash equivalents	\$ 8,459,428	\$ 7,161,407	\$ 1,212,719	\$ 423,805
Restricted cash and cash equivalents	40,000	27,300	-	-
	<u>\$ 8,499,428</u>	<u>\$ 7,188,707</u>	<u>\$ 1,212,719</u>	<u>\$ 423,805</u>

	Governmental Activities
Totals	Internal Service
\$ (4,424,008)	\$ (1,249,758)
(6,157,839)	(2,210,350)
15,386,112	-
-	3,789,995
<u>4,804,265</u>	<u>329,887</u>
(2,816,472)	(147,182)
(389,608)	-
-	(124,006)
<u>(3,206,080)</u>	<u>(271,188)</u>
122,335	-
(43,875)	-
<u>78,460</u>	<u>-</u>
93,619	62,484
<u>1,770,264</u>	<u>121,183</u>
15,554,395	2,910,350
<u>\$ 17,324,659</u>	<u>\$ 3,031,533</u>
\$ 17,257,359	\$ 2,815,887
67,300	215,646
<u>\$ 17,324,659</u>	<u>\$ 3,031,533</u>

continued...

CITY OF JACKSON, MICHIGAN

Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended June 30, 2012

	Enterprise Funds - Business-type Activities			
	Sewage	Water	Parking Deck	Nonmajor Funds
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 728,202	\$ 2,124,569	\$ (248,563)	\$ 347,586
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,007,816	697,255	262,943	23,921
Change in:				
Accounts receivable	(80,141)	(487,787)	-	-
Interfund receivable	824,043	-	-	(218,657)
Inventories	-	11,315	-	-
Other assets	-	5,430	-	-
Accounts payable	(272,854)	152,457	11,478	57,045
Accrued payroll	(24,000)	(58,866)	(396)	(2,630)
Interfund payable	-	-	-	-
Accrued compensated absences	(29,965)	(37,986)	-	-
Advance from other funds	-	-	-	(10,000)
Customer deposits	-	22,050	-	-
Net cash provided by operating activities	<u>\$ 2,153,101</u>	<u>\$ 2,428,437</u>	<u>\$ 25,462</u>	<u>\$ 197,265</u>

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

	Governmental Activities
Totals	Internal Service
\$ 2,951,794	\$ (57,382)
1,991,935	296,047
(567,928)	17,435
605,386	20,380
11,315	-
5,430	-
(51,874)	95,130
(85,892)	(21,343)
-	(20,380)
(67,951)	-
(10,000)	-
22,050	-
<u>\$ 4,804,265</u>	<u>\$ 329,887</u>

concluded

# CITY OF JACKSON, MICHIGAN

## Statement of Fiduciary Net Assets - Fiduciary Funds

June 30, 2012

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Pooled cash and investments	\$ 263,459	\$ 188,460
Investments, at fair value:		
U.S. treasuries	1,560,099	-
U.S. agencies	523,880	-
Mortgage backed securities	68,885	
Corporate bonds:		
Domestic	8,356,486	-
Domestic mutual funds	9,687,829	-
Equities:		
Domestic stocks	20,447,147	-
Domestic mutual funds	12,674,179	-
International stocks	6,645,146	-
International mutual funds	4,584,269	-
Money market accounts	2,848,907	-
Receivables:		
Interest and dividends receivable	27,253	-
Other	4,204	-
<b>Total assets</b>	<u>67,691,743</u>	<u>\$ 188,460</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 2,027
Due to other governments	-	11,190
Refunds payable and other liabilities	185,976	175,243
<b>Total liabilities</b>	<u>185,976</u>	<u>\$ 188,460</u>
<b>Net assets</b>		
Held in trust for pension and other employee benefits	<u>\$ 67,505,767</u>	

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

# CITY OF JACKSON, MICHIGAN

## Statement of Changes in Fiduciary Net Assets

Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2012

### Additions

#### Contributions:

Employer	\$ 4,161,276
Plan members	1,258,400
Total contributions	<u>5,419,676</u>

#### Investment income (loss):

Net depreciation in fair value of investments	(1,758,215)
Interest	279,858
Dividends	705,491
Total investment loss	<u>(772,866)</u>

Less investment expense	<u>331,613</u>
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Net investment loss	<u>(1,104,479)</u>
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Total additions	<u>4,315,197</u>
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### Deductions

Benefits	9,123,878
Refunds of contributions	243,172
Administrative expense	212,265
	<u>9,579,315</u>

Total deductions	<u>9,579,315</u>
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Net change in net assets	(5,264,118)
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### Net assets held in trust for pension and other employee benefits

Beginning of year	<u>72,769,885</u>
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End of year	<u>\$ 67,505,767</u>
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The accompanying notes are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### 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.

#### 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.

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 Council. 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* - Following is a summary of the City's 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.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

Complete financial statements of the Downtown Development Authority may be obtained from the City of Jackson Downtown Development Authority, 212 W. Michigan Avenue, Jackson, Michigan 49201.

### Basis of Presentation

#### *Government-wide and Fund Financial Statements*

*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.

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

*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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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 fund financial statements 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. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period, except for reimbursement-based grants which must be collected within one year. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when a related fund liability is incurred, except for debt service expenditures, 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 from 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.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported 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.

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

*Special assessment capital projects fund.* This fund accounts 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.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

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

Additionally, the City reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets that are not being financed by proprietary funds.

The *permanent funds* account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

The *enterprise 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.

The *internal service funds* are proprietary funds used to account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis.

The *pension and other employee benefit trust funds* account for the activities of the City's three retirement funds and the employee health care fund, which accumulate resources for retirement benefit payments and future retiree health care costs to qualified employees.

The *agency funds* account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency funds account for property tax collections, are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations.

### Assets, Liabilities and Equity

#### *Deposits and Investments*

The City Treasurer maintains a cash management pool that is used by all funds and component units of the government, except for the pension trust funds and the downtown development authority component unit. In addition to their participation in the cash management pool, certain funds and component units also have separate checking accounts. The cash management pool has the general characteristics of a demand deposit account in that deposits and withdrawals may be made at any time without prior notice or penalty. Accordingly, each fund's portion of this pool, along with any amounts in separate demand deposit accounts, is reported as "pooled cash and investments".

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

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.

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.

### *Inventory, 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 when purchased 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.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

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.

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:

	Years
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

### *Fund Equity*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. Assigned fund balance is reported in instances where the City Council has given authority for the making of such assignments to City management; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund. The City reports no assigned fund balances.

When the government incurs expenditures for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned and finally unassigned fund balance.

## 2. 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 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. A City Council 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.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### *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.

### 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

Fund/Activity	Final Budget	Actual	Over Budget
<b>General fund</b>			
<b>General government:</b>			
Personnel	\$ 184,791	\$ 198,356	\$ 13,565
Cemeteries	216,363	220,934	4,571
<b>Culture and recreation:</b>			
Lt. Nixon memorial pool	131,735	142,066	10,331
Sharp Park swimming pool	94,877	101,704	6,827
<b>Major streets -</b>			
State highway construction	5,311,352	5,469,458	158,106
<b>Nonmajor special revenue funds</b>			
Ella W. Sharp Park operating fund	666,693	675,394	8,701
Recreation activity fund	245,706	250,183	4,477
Recreation millage fund	228,000	231,037	3,037

### 4. FUND DEFICIT

At June 30, 2012, the special assessment capital projects fund had a fund deficit of \$958,023. This deficit will be eliminated as deferred special assessments become due. The Sharp Park golf practice center enterprise fund had a deficit of \$52,201 in ending unrestricted net assets.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### 5. DEPOSITS AND INVESTMENTS

*Summary of Deposit and Investment Balances.* Following is a reconciliation of deposit and investment balances as of June 30, 2012:

	Primary Governments	Component Units	Total
Statement of net assets			
Pooled cash and investments	\$ 23,722,410	\$ 2,180,712	\$ 25,903,122
Restricted cash:			
Cash on hand with agents	215,646	-	215,646
Pooled cash and investments	3,044,381	-	3,044,381
Statement of fiduciary net assets			
Pooled cash and investments	451,919	-	451,919
Investments - pension	67,396,827	-	67,396,827
<b>Total</b>	<b>\$ 94,831,183</b>	<b>\$ 2,180,712</b>	<b>\$ 97,011,895</b>
Deposits and investments:			
Bank deposits (checking, savings and certificates of deposit)			\$ 16,963,852
Investments in securities and mutual funds:			
Cash and investment pool			12,419,215
Pension trust funds			67,396,827
Cash on hand with agents			215,646
Cash on hand			16,355
<b>Total</b>			<b>\$ 97,011,895</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 it. As of June 30, 2012, \$9,075,812 of the City's total bank balance of \$17,228,472 (total book balance was \$16,963,852) 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.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

*Custodial Credit Risk - Investments.* Following is a summary of the City's investments as of June 30, 2012:

U.S. treasuries	\$ 1,011,783
U.S. agencies	804,585
Domestic equities	16,494
Money markets	<u>10,586,353</u>
 Total	 <u>\$ 12,419,215</u>

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2012, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

*Credit Risk.* As of June 30, 2012, all of the City's investments in securities of U.S. agencies were rated AA+ by Standard & Poor's. The City also held investments in U.S. treasuries and money market accounts, which are not rated. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

*Concentration of Credit Risk.* The City's investment policy does not address this risk. At June 30, 2012, 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, 2012, maturities of the City's debt securities were as follows:

	Investment Maturities (fair value by years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 1,011,783	\$ 219,591	\$ 625,533	\$ 166,659	\$ -
U.S. agencies	804,585	212,549	592,036	-	-
	<u>\$ 1,816,368</u>	<u>\$ 432,140</u>	<u>\$ 1,217,569</u>	<u>\$ 166,659</u>	<u>\$ -</u>

The City's investment policy does not address interest rate risk. The City's investments in U.S. agencies are non-callable.

### Deposits and Investments - Pension and Other Employee Benefit Trust Funds

The City maintains three pension trust funds (see Note 16) and one other employee benefits trust fund (see Note 17) 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 and other employee benefit trust funds' deposits and investments are presented separately.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

Deposits - The pension and other employee benefit trust funds do not maintain any checking or other demand/time deposit accounts.

Investments - The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension and other employee benefit 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 respective investment portfolios. 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.

The pension and other employee benefit trust funds' investments are held in various financial institution or bank-administered trusts. Following is a summary of the funds' investments as of June 30, 2012:

Investments at fair value, as determined by	
quoted market price:	
U.S. treasuries	\$ 1,560,099
U.S agencies	523,880
Mortgage backed securities	68,885
Corporate bonds:	
Domestic	8,356,486
Domestic mutual funds	9,687,829
Equities:	
Domestic stocks	20,447,147
Domestic mutual funds	12,674,179
International stocks	6,645,146
International mutual funds	4,584,269
Money market accounts	<u>2,848,907</u>
 Total investments	 <u><u>\$ 67,396,827</u></u>

*Credit Risk.* The pension and other employee benefit 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, 2012, the pension and other employee benefit trust funds' investments in securities of U.S. agencies were all rated AA+ by Standard & Poor's.

The pension and other employee benefit trust funds' investments in corporate bonds and mortgage backed securities were rated by Standard & Poor's as follows:

Rating	
AA	\$ 375,601
A	3,210,681
BBB	3,021,642
BB	613,842
B	277,282
Not rated	<u>926,323</u>
 Totals	 <u><u>\$ 8,425,371</u></u>

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the pension and other employee benefit trust funds 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 and other employee benefit 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 and other employee benefit 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.

*Concentration of Credit Risk.* The pension and other employee benefit 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 and other employee benefit trust fund. At June 30, 2012, 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, 2012, maturities of debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 1,560,099	\$ 211,553	\$ 893,781	\$ 454,765	\$ -
U.S. agencies	523,880	27,049	247,201	64,171	185,459
Mortgage backed securities	68,885	6,481	11,301	14,534	36,569
Domestic corporate bonds:					
Callable	2,071,700	-	-	308,805	1,762,895
Non-callable	6,284,786	1,288,452	2,789,008	1,652,888	554,438
	<u>\$ 10,509,350</u>	<u>\$ 1,533,535</u>	<u>\$ 3,941,291</u>	<u>\$ 2,495,163</u>	<u>\$ 2,539,361</u>

The City assumes that its callable bonds totaling \$2,071,700 will not be called. The pension and other employee benefit trust funds' investment policies do not address interest rate risk.

## 6. RECEIVABLES / DEFERRED REVENUE

Receivables in the governmental activities are 31 percent due from other governments, 13 percent accounts receivable, 32 percent income taxes, 18 percent special assessments, and 6 percent loans receivable; 80 percent of the special assessment receivables are not expected to be collected within one year. Loans receivable consists of \$313,875 in long-term loans due from local businesses related to economic development projects, which are not expected to be collected within one year. Business-type activities receivables are 100 percent due from customers.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

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 may 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:

	Unavailable	Unearned	Total
Special assessments not yet due (capital projects fund)	\$ 963,827	\$ -	\$ 963,827
Long-term loan receivable	313,875	-	313,875
Other unearned	-	27,344	27,344
	<u>\$ 1,277,702</u>	<u>\$ 27,344</u>	<u>\$ 1,305,046</u>

## 7. CAPITAL ASSETS

Capital assets activity of the primary government for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,423,583	\$ -	\$ -	\$ 2,423,583
Capital assets being depreciated:				
Infrastructure	124,544,097	6,503,082	-	131,047,179
Land improvements	15,763,181	-	-	15,763,181
Buildings and improvements	16,586,775	41,307	-	16,628,082
Park and recreation facilities	8,980,579	279,140	-	9,259,719
Machinery and equipment	12,848,650	335,352	132,568	13,051,434
	<u>178,723,282</u>	<u>7,158,881</u>	<u>132,568</u>	<u>185,749,595</u>
Less accumulated depreciation for:				
Infrastructure	87,832,719	2,566,694	-	90,399,413
Land improvements	2,204,754	315,264	-	2,520,018
Buildings and improvements	5,056,417	299,191	-	5,355,608
Park and recreation facilities	4,877,103	127,873	-	5,004,976
Machinery and equipment	10,717,532	574,668	57,576	11,234,624
	<u>110,688,525</u>	<u>3,883,690</u>	<u>57,576</u>	<u>114,514,639</u>
Total capital assets being depreciated, net	<u>68,034,757</u>	<u>3,275,191</u>	<u>74,992</u>	<u>71,234,956</u>
Governmental activities capital assets, net	<u>\$ 70,458,340</u>	<u>\$ 3,275,191</u>	<u>\$ 74,992</u>	<u>\$ 73,658,539</u>

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 8,956,886	\$ -	\$ -	8,956,886
Construction in progress	304,279	-	304,279	-
	<u>9,261,165</u>	<u>-</u>	<u>304,279</u>	<u>8,956,886</u>
Capital assets being depreciated:				
Systems	73,050,298	1,670,923	-	74,721,221
Land improvements	2,512,519	-	-	2,512,519
Buildings and improvements	12,899,447	1,420,384	-	14,319,831
Machinery and equipment	10,645,067	29,444	-	10,674,511
	<u>99,107,331</u>	<u>3,120,751</u>	<u>-</u>	<u>102,228,082</u>
Less accumulated depreciation for:				
Systems	38,294,984	1,451,582	-	39,746,566
Land improvements	925,658	63,485	-	989,143
Buildings and improvements	2,867,899	249,891	-	3,117,790
Machinery and equipment	8,631,116	226,977	-	8,858,093
	<u>50,719,657</u>	<u>1,991,935</u>	<u>-</u>	<u>52,711,592</u>
Total capital assets being depreciated, net	<u>48,387,674</u>	<u>1,128,816</u>	<u>-</u>	<u>49,516,490</u>
Business-type activities capital assets, net	<u>\$ 57,648,839</u>	<u>\$ 1,128,816</u>	<u>\$ 304,279</u>	<u>\$ 58,473,376</u>

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

<b>Governmental activities:</b>	
General government	\$ 252,520
Public safety	171,542
Public works, including depreciation of general infrastructure assets	2,651,747
Culture and recreation	219,057
Community enrichment and development	292,777
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>296,047</u>
Total depreciation expense - governmental activities	<u>\$ 3,883,690</u>
<b>Business-type activities:</b>	
Sewage	\$ 1,007,816
Water	697,255
Parking system	262,943
Golf practice center	<u>23,921</u>
Total depreciation expense - business-type activities	<u>\$ 1,991,935</u>

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### 8. PAYABLES

Payables in the governmental activities are 54 percent vendors, 27 percent claims, 14 percent accrued payroll, and 5 percent other. Business-type activities payables are 75 percent vendors, 18 percent deposits and 7 percent accrued payroll.

### 9. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2012, amounts due from and due to other funds were as follows:

Receivable Funds	Payable Funds			Total
	General Fund	Community Development Block Grant	Nonmajor Governmental Funds	
General fund	\$ -	\$ 326	\$ -	\$ 326
CDBG special revenue fund	-	-	11,903	11,903
Nonmajor governmental funds	151	-	28,763	28,914
	<u>\$ 151</u>	<u>\$ 326</u>	<u>\$ 40,666</u>	<u>\$ 41,143</u>

At June 30, 2012, interfund advances were as follows:

Receivable Funds	Payable Funds				Total
	Community Development Block Grant	Special Assessment Capital Projects	Nonmajor Enterprise Funds	Internal Service Funds	
General fund	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Nonmajor governmental funds	-	-	80,000	-	80,000
Internal service funds	-	957,933	-	95,973	1,053,906
	<u>\$ 50,000</u>	<u>\$ 957,933</u>	<u>\$ 80,000</u>	<u>\$ 95,973</u>	<u>\$ 1,183,906</u>

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 nonmajor governmental funds was executed in order to assist the cash position (cash flow) of the golf practice center enterprise activity. Also, an advance from the internal service funds was used to provide cash for the special assessment capital projects fund.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### 9. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

For the year ended June 30, 2012, interfund transfers consisted of the following:

Transfers Out	Transfers In					Total
	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Water Fund	Nonmajor Enterprise Funds	
General fund	\$ -	\$ -	\$ 425,000	\$ -	\$ 21,000	\$ 446,000
Major streets fund	-	-	460,369	-	-	460,369
Special assessment capital projects fund	-	158,951	137,125	-	47,460	343,536
Nonmajor governmental funds	72,422	543,192	587,808	-	10,000	1,213,422
Nonmajor enterprise funds	-	-	-	43,875	-	43,875
	<u>\$ 72,422</u>	<u>\$ 702,143</u>	<u>\$ 1,610,302</u>	<u>\$ 43,875</u>	<u>\$ 78,460</u>	<u>\$ 2,507,202</u>

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.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### 10. 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. The original amount of general obligation bonds issued in prior years for the items listed below was \$59,433,577.

During the year, the City issued \$5,395,000 of Downtown Development Authority general obligation refunding bonds to defease \$4,970,000 of bonds by placing the proceeds of the refunding bonds in irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the related liabilities have been removed from the statement of net assets. The refunding results in a loss of \$3,949,344 and an economic gain of \$66,707. The refunding was undertaken to extend the repayment term by 6 years to 2030.

During the year, the City also issued \$7,630,000 of Brownfield Redevelopment Authority general obligation refunding bonds to defease \$8,645,000 of bonds by placing the proceeds of the refunding bonds in irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the related liabilities have been removed from the statement of net assets. The refunding results in a savings of \$1,703,425 and an economic gain of \$648,318.

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

Purpose	Fiscal Year Matures	Interest Rates	Amount
<b>Governmental activities</b>			
1998 building authority limited tax	2013	4.50%	\$ 80,000
1999 building authority limited tax	2019	5.25%	300,000
2001 downtown development	2026	3.70%-5.75%	8,898,577
2003 general obligation unlimited tax	2027	2.00%-5.25%	7,215,000
2003 general obligation unlimited tax (B)	2027	3.00%-4.70%	1,515,000
2003 transportation fund	2013	2.00%-3.20%	280,000
2007 brownfield redevelopment refunding	2030	4.00%-4.375%	9,695,000
2011 downtown development refunding	2030	4.375%-4.750%	5,395,000
2012 brownfield redevelopment refunding	2031	2.00%-4.00%	7,630,000
			\$ 41,008,577

# 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
2013	\$ 1,030,000	\$ 1,406,703
2014	740,000	1,317,526
2015	745,000	1,289,714
2016	1,619,125	2,282,278
2017	1,796,414	2,371,239
2018-2022	10,211,175	13,144,015
2023-2027	14,321,863	12,719,964
2028-2031	10,545,000	1,026,042
	<u>\$ 41,008,577</u>	<u>\$ 35,557,481</u>

*Revenue bonds.* The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The original amount of revenue bonds issued in prior years for the items listed below was \$2,046,000. Revenue bonds outstanding at year-end are as follows:

Purpose	Fiscal Year Matures	Interest Rates	Amount
<b>Business-type activities</b>			
2000 sewer system	2016	4.75%-5.35%	\$ 400,000
2008 water refunding	2014	2.75%-3.40%	<u>273,000</u>
			<u>\$ 673,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year	Business-type Activities	
	Principal	Interest
2013	\$ 373,000	\$ 18,375
2014	100,000	17,841
2015	100,000	7,975
2016	<u>100,000</u>	<u>2,675</u>
	<u>\$ 673,000</u>	<u>\$ 46,866</u>

*Installment Obligations.* The government has entered into a long-term loan outstanding at year-end as follows:

Purpose	Fiscal Year Matures	Interest Rates	Amount
<b>Governmental activities</b>			
Section 108 loan economic development	2021	3.66%-6.62%	<u>\$ 570,000</u>

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

The annual debt service requirements for the installment obligation is \$65,000 per year for years 2013-2020 and the remaining amount of \$50,000 due in 2021.

*Changes in Long-Term Debt.* Long-term debt activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Refunded	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>						
<b>Governmental activities</b>						
General obligation bonds	\$42,448,577	\$13,025,000	\$13,615,000	\$ 850,000	\$41,008,577	\$ 1,030,000
Installment debt	635,000	-	-	65,000	570,000	65,000
Compensated absences	2,271,078	1,253,269	-	1,507,025	2,017,322	1,815,590
Less deferred amounts for:						
Issuance discount	(177,954)	(69,591)	-	(11,241)	(236,304)	-
Issuance premium	-	141,288	-	-	141,288	-
Refunding loss	(352,569)	(360,326)	-	(20,739)	(692,156)	-
	<u>\$44,824,132</u>	<u>\$13,989,640</u>	<u>\$13,615,000</u>	<u>\$ 2,390,045</u>	<u>\$42,808,727</u>	<u>\$ 2,910,590</u>
<b>Business-type activities</b>						
Revenue bonds	\$ 1,014,000	\$ -	\$ -	\$ 341,000	\$ 673,000	\$ 373,000
Compensated absences	327,329	191,152	-	259,103	259,378	25,117
Less deferred amounts for refunding loss	(16,701)	-	-	(8,350)	(8,351)	(8,351)
	<u>\$ 1,324,628</u>	<u>\$ 191,152</u>	<u>\$ -</u>	<u>\$ 591,753</u>	<u>\$ 924,027</u>	<u>\$ 389,766</u>

For the governmental activities, compensated absences, net pension benefit obligations and net other postemployment benefit obligations, if any, are generally liquidated by the general fund.

## 11. 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.

## 12. ENDOWMENTS

*Ella W. Sharp Park Endowment Permanent Trust Fund.* For the year ended June 30, 2012, the net appreciation on investments of donor-restricted endowments was \$37,267 and there was an overall decrease in fund balance of \$3,344. 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 net appreciation available; the nonexpendable endowment balance is \$1,169,657.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

*Cemetery Perpetual Maintenance Permanent Trust Fund.* For the year ended June 30, 2012, the net appreciation on investments of donor-restricted endowments was \$59,946 and there was an overall increase in fund balance of \$29,948. 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 the nonexpendable endowment balance is \$1,875,973.

### 13. 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. For workers' compensation, the City has opted to protect itself from risks through means other than the purchase of traditional insurance coverage.

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 \$513,318 reported in the workers' compensation internal service fund at June 30, 2012 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. At June 30, 2012, \$256,659 of the total amount is considered to be due within one year.

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

	2012	2011
Claims liability at beginning of fiscal year	\$ 513,318	\$ 663,318
Claims and changes in estimates	136,299	(143,107)
Claims payments	<u>(136,299)</u>	<u>(6,893)</u>
Claims liability at June 30, 2012	<u>\$ 513,318</u>	<u>\$ 513,318</u>

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.

### 14. 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, 2011 levy was assessed and valued at approximately \$596 million, representing approximately 50% of estimated current market value.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

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, 5.25 for Act 345 Pension, 0.95 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.

### 15. 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 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.

On July 1, 1974 the City sold the Reynolds Municipal Airport to the County of Jackson. The terms of the transfer document indicated the property was being sold "as is". There was also language in the transfer documents providing for indemnification from the County to the City. The County is undertaking an expansion of the airport runways. During the preliminary stages of the expansion, it was discovered the City had operated a landfill on the property during the City's ownership. The landfill was licensed by the Michigan Department of Natural Resources during the City's operation. Even though the City complied with all laws in existence at the time, the City remains liable for any contamination resulting from the ownership/operation of the landfill. As part of the Airport expansion process, the County gave notice to the Michigan Department of Environmental Quality (MDEQ) that an old landfill was on the site. As a result of the County's action, the City received a Notice of Violation in 2005 from the MDEQ. In August 2007, the City released its right to the Reverter clause contained in the 1974 transfer deed to the County. In return, the City received additional indemnification from the County. It is not known at present if the MDEQ will have specific requirements during runway construction. The matter is not covered by insurance and the potential costs could be significant. No provision for the loss has been made in the accompanying financial statements.

The City has adopted a Stormwater Utility Ordinance that attempts to recover costs and expenses incurred by the City for maintaining a stormwater utility system. The ordinance is being legally challenged to determine if the stormwater fees are a tax, which would violate the Headlee Amendment, which requires all new taxes be approved by the voters, or if the fees are determined to be user fees. This matter is not covered by the City's insurance and the potential costs to refund amounts collected could be significant. No provision has been made in the accompanying financial statements.

The City will likely have to demolish the Hayes Hotel as well as the old Consumers Power Building. These demolitions are not required to be performed within any timeframe, but it had been estimated that the Consumers Power Building could cost the City somewhere in the range of \$2 to \$3 million due to asbestos in the structure. Demolition on the Consumers Power Building began during the fiscal year 2012.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### 16. DEFINED BENEFIT PENSION PLAN

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. The plans do not issue separate or stand-alone reports.

The financial statements of the plans are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Membership of each plan consisted of the following at June 30, 2011, the date of the latest actuarial valuations:

	Employees' Retirement System	Policemen's and Firemen's Pension Fund	Policemen's and Firemen's Pension - Act 345 Fund
Retirees and beneficiaries receiving benefits	167	33	148
Terminated plan members entitled to, but not yet receiving benefits	23	-	5
Active plan members	182	-	94
	<u>372</u>	<u>33</u>	<u>247</u>

#### 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 Actuarial requirements, members contribute 8.11%, with the City contributing 9.21%. Accumulated member contributions are annually credited with interest at 0.29%. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the current year was determined as part of the June 30, 2011 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 8.25% including inflation at 4.25%, and no cost of living adjustments.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### 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 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, 2011 actuarial valuation using the attained age method. The actuarial assumptions included a 7.0% 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 10.95-12.99% 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 2.0%. 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, 2012 actuarial valuation using the entry age method. The actuarial assumptions included a 7.75% rate of return on investments, projected salary increases of 4.5% to 10.25%, including inflation at 4.25%, and no cost of living adjustments.

Other information for these plans is as follows:

	Employees' Retirement System	Policemen's and Firemen's Pension Fund	Policemen's and Firemen's Pension - Act 345 Fund
Asset valuation method	4-year smoothed	4-year smoothed	4-year smoothed
Amortization method	Level percent	Level dollar	Level percent
Remaining amortization period	30 years	10 years	15 years
Open or closed amortization approach	Open	Closed	Open

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### Three-year Trend Information

Year Ending	Annual Pension Cost (APC)	Actual Annual Contribution	Percentage of APC Contributed	Net Pension Obligation
<u>Employees' Retirement System</u>				
6/30/10	\$ 750,439	\$ 750,439	100%	\$ -
6/30/11	786,824	786,824	100%	-
6/30/12	817,748	817,748	100%	-
<u>Policemen's and Firemen's Pension</u>				
6/30/10	\$ 722,537	\$ 722,537	100%	\$ -
6/30/11	500,000	500,000	100%	-
6/30/12	500,000	500,000	100%	-
<u>Policemen's and Firemen's Pension - Act 345</u>				
6/30/10	\$ 3,256,531	\$ 3,256,531	100%	\$ -
6/30/11	2,772,800	2,772,800	100%	-
6/30/12	2,843,528	2,843,528	100%	-

The funded status of each plan as of June 30, 2011, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
ERS	\$ 32,986	\$ 43,916	\$ 10,931	75.1%	\$ 8,169	133.8%
PFP	3,575	8,904	5,330	40.1%	n/a	n/a
Act 345	33,801	62,431	28,630	54.1%	4,630	618.4%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

## 17. POSTEMPLOYMENT BENEFITS

The City provides postemployment healthcare benefits to substantially all full-time employees who retire from the City under one of its three pension plans. The extent of the cost of those benefits paid by the City are dependent upon a variety of factors including hire date, retirement date, years of service and bargaining unit. The plan is treated as a single-employer defined benefit healthcare plan administered by the City; the plan utilizes a retirement health funding vehicle trust established with the Municipal Employees Retirement System of Michigan to invest plan assets. The plan was adopted and established by action of the City Council. The plan is reported as an other employee benefit trust fund in the accompanying financial statements. The plan does not issue a separate or stand-alone report.

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

The plan's financial statements are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan membership consisted of 186 retirees currently receiving benefits and 219 active members at June 30, 2011, the date of the latest actuarial valuation.

The City has no obligation to make contributions in advance of when the insurance premiums of benefits are due for payment; in other words, the plan may be financed on a pay-as-you-go basis. Administrative costs of the plan are paid for by the City's general fund. Plan participants are not required to contribute to the plan.

For the year ended June 30, 2012, the City estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. Such valuation computes the *annual required contribution (ARC)* that represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current combined ARC is 16.8% of annual covered payroll.

For fiscal year 2012, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the plan (including *pay-as-you-go* amounts), and changes in the City's net OPEB obligation to the plan are as follows:

Annual required contribution	\$ 3,097,480
Interest on net OPEB obligation	390,378
Adjustment to annual required contribution	<u>(546,284)</u>
Annual OPEB cost	2,941,574
Payment of current costs	<u>(1,567,827)</u>
Increase in net OPEB obligation	1,373,747
Net OPEB obligation, beginning of year	<u>9,759,465</u>
 Net OPEB obligation, end of year	 <u><u>\$ 11,133,212</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding two years were as follows:

Year Ended	OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 4,275,983	11.1%	\$ 7,462,419
6/30/11	2,851,996	19.5%	9,759,465
6/30/12	2,941,574	53.3%	11,133,212

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

The funded status of the plan as of June 30, 2011, the date of the latest actuarial valuation, was as follow:

Actuarial accrued liabilities (AAL)	\$ 59,681,463
Actuarial value of plan assets	<u>561,390</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 59,120,073</u>
Funded ratio	0.9%
Covered payroll (active plan members)	\$ 12,795,432
UAAL as a percentage of covered payroll	462.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	June 30, 2011
Actuarial cost method	Individual entry age
Amortization method	
contributions	Level percent; open for public safety
Remaining amortization period	30 years; open basis
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% - 8.25% for the General group 4.25% - 10.25% for the Police/Fire group
Healthcare inflation rate	9% in 2009, grading to 4.25% in 2018
Inflation rate	4.25%

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

Stand alone reports have not been issued for the plans. Financial statements for the individual pension and employee benefit plans are presented after the footnotes section. In addition, GASB Statement 25 and 45 required supplementary information is presented after the footnotes section.

### 18. NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Following is a summary of net assets invested in capital assets, net of related debt, as presented in the government-wide statement of net assets:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 2,423,583	\$ 8,956,886
Capital assets being depreciated, net	71,234,956	49,516,490
	<u>73,658,539</u>	<u>58,473,376</u>
Long-term liabilities:		
Due within one year	2,910,590	398,117
Due in more than one year	39,898,137	525,910
	<u>42,808,727</u>	<u>924,027</u>
Less compensated absences	(2,017,322)	(259,378)
	<u>40,791,405</u>	<u>664,649</u>
Invested in capital assets, net of related debt	<u>\$ 32,867,134</u>	<u>\$ 57,808,727</u>

# CITY OF JACKSON, MICHIGAN

## Notes to Financial Statements

### 19. COMPONENTS OF NONSPENDABLE, RESTRICTED AND COMMITTED FUND BALANCES

Following is a summary of the components of nonspendable, restricted and committed fund balances as of June 30, 2012:

	General	Community Development Block Grant	Major Streets	Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventories	\$ -	\$ -	\$ 113,717	\$ 9,149	\$ 122,866
Prepaid expenditures	4,655	-	-	1,190	5,845
Perpetual care	-	-	-	1,875,973	1,875,973
Endowment	-	-	-	1,089,657	1,089,657
Advances	50,000	-	-	80,000	130,000
	<u>\$ 54,655</u>	<u>\$ -</u>	<u>\$ 113,717</u>	<u>\$ 3,055,969</u>	<u>\$ 3,224,341</u>
<b>Restricted</b>					
Rehabilitation programs	\$ -	\$ 386,497	\$ -	\$ -	\$ 386,497
Highways and streets	-	-	673,320	278,465	951,785
Public improvements	-	-	-	788,912	788,912
Culture and recreation	-	-	-	24,174	24,174
Public safety	-	-	-	93,271	93,271
Downtown Development Authority	-	-	-	607,555	607,555
Debt service	-	-	-	19,731	19,731
	<u>\$ -</u>	<u>\$ 386,497</u>	<u>\$ 673,320</u>	<u>\$ 1,812,108</u>	<u>\$ 2,871,925</u>
<b>Committed</b>					
Culture and recreation	\$ -	\$ -	\$ -	\$ 69,475	\$ 69,475
Public safety	-	-	-	210,203	210,203
Capital projects	-	-	-	42,113	42,113
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,791</u>	<u>\$ 321,791</u>

CITY OF JACKSON, MICHIGAN

20. PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Stand alone financial reports have not been issued for the plans. GASB Statement 25 and 45 required supplementary information is presented after the footnotes section. Financial statements for the individual pension and employee benefit plans are as follows:

Statement of Plan Net Assets - June 30, 2012

	Employees' Retirement System	Policemen's and Firemen's Pension Fund	Policemen's and Firemen's Pension - Act 345 Fund	Employee Health Care	Total
<b>Assets</b>					
Cash	\$ 242,352	\$ -	\$ 20,557	\$ 550	\$ 263,459
Investments, at fair value:					
U.S. treasuries	-	175,346	1,384,753	-	1,560,099
U.S. agencies	-	69,849	454,031	-	523,880
Mortgage backed securities	-	-	68,885	-	68,885
Corporate bonds:					
Domestic	-	766,992	7,589,494	-	8,356,486
Domestic mutual funds	9,687,829	-	-	-	9,687,829
Equities:					
Domestic stocks	4,206,461	1,622,880	14,617,806	-	20,447,147
Domestic mutual funds	12,674,179	-	-	-	12,674,179
International stocks	437,399	484,720	5,723,027	-	6,645,146
International mutual funds	4,584,269	-	-	-	4,584,269
Money market accounts	695,294	119,654	1,446,645	587,314	2,848,907
Total cash and investments	32,527,783	3,239,441	31,305,198	587,864	67,660,286
Receivables:					
Interest and dividends	923	5,991	20,339	-	27,253
Other	-	2,509	1,695	-	4,204
Total assets	32,528,706	3,247,941	31,327,232	587,864	67,691,743
<b>Liabilities</b>					
Refunds payable and other	46,933	-	139,043	-	185,976
Net assets held in trust for pension and other employee benefits	\$ 32,481,773	\$ 3,247,941	\$ 31,188,189	\$ 587,864	\$ 67,505,767

CITY OF JACKSON, MICHIGAN

20. PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Statement of Changes in Plan Net Assets - Year Ended June 30, 2012

	Employees' Retirement System	Policemen's and Firemen's Pension Fund	Policemen's and Firemen's Pension - Act 345 Fund	Employee Health Care	Total
<b>Additions</b>					
Contributions:					
Employer	\$ 817,748	\$ 500,000	\$ 2,843,528	\$ -	\$ 4,161,276
Plan members	665,849	-	592,551	-	1,258,400
Total contributions	<u>1,483,597</u>	<u>500,000</u>	<u>3,436,079</u>	<u>-</u>	<u>5,419,676</u>
Investment income (loss):					
Net appreciation (depreciation) in fair value of investments	569,276	(221,104)	(2,106,143)	(244)	(1,758,215)
Interest	615	24,397	254,846	-	279,858
Dividends	306,787	44,672	354,032	-	705,491
Total investment income (loss)	<u>876,678</u>	<u>(152,035)</u>	<u>(1,497,265)</u>	<u>(244)</u>	<u>(772,866)</u>
Less investment expense	<u>92,941</u>	<u>27,866</u>	<u>210,806</u>	<u>-</u>	<u>331,613</u>
Net investment income (loss)	<u>783,737</u>	<u>(179,901)</u>	<u>(1,708,071)</u>	<u>(244)</u>	<u>(1,104,479)</u>
Total additions	<u>2,267,334</u>	<u>320,099</u>	<u>1,728,008</u>	<u>(244)</u>	<u>4,315,197</u>
<b>Deductions</b>					
Benefits	3,222,616	982,509	4,918,753	-	9,123,878
Refunds of contributions	105,416	-	137,756	-	243,172
Administrative expense	94,173	7,833	110,259	-	212,265
Total deductions	<u>3,422,205</u>	<u>990,342</u>	<u>5,166,768</u>	<u>-</u>	<u>9,579,315</u>
Net change in net assets	(1,154,871)	(670,243)	(3,438,760)	(244)	(5,264,118)
<b>Net assets held in trust for pension and other employee benefits</b>					
Beginning of year	<u>33,636,644</u>	<u>3,918,184</u>	<u>34,626,949</u>	<u>588,108</u>	<u>72,769,885</u>
End of year	<u>\$ 32,481,773</u>	<u>\$ 3,247,941</u>	<u>\$ 31,188,189</u>	<u>\$ 587,864</u>	<u>\$ 67,505,767</u>

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**GASB REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF JACKSON, MICHIGAN

**GASB Statement 25 Required Supplementary Information**  
**Pension Trust Funds**

Schedule of Funding Progress

Actuarial Valuation Date June 30,	(In Thousands)			Funded Ratio (1 / 2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll ((1-2) / 3)
	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) - (2)	Unfunded AAL (UAAL) (1-2)			

Employees' Retirement System (entry age valuation method)

2002	\$ 35,151	\$ 29,372	\$ (5,779)	119.7%	\$ 9,257	-62.4%
2003	33,229	29,902	(3,327)	111.1%	9,691	-34.3%
2004	32,919	31,417	(1,502)	104.8%	9,600	-15.6%
2005	32,395	33,016	621	98.1%	9,600	6.5%
2006	31,867	35,019	3,152	91.0%	10,091	31.2%
2007	34,236	38,091	3,855	89.9%	10,119	38.1%
2008	35,618	40,907	5,289	87.1%	10,295	51.4%
2009	34,971	42,855	7,884	81.6%	10,184	77.4%
2010	34,124	43,283	9,159	78.8%	8,969	102.1%
2011	32,986	43,916	10,931	75.1%	8,169	133.8%

Policemen's and Firemen's Pension (attained age valuation method)

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
2006	5,560	10,931	5,371	50.9%	n/a	n/a
2007	5,848	10,682	4,834	54.8%	n/a	n/a
2008	5,533	10,180	4,647	54.3%	n/a	n/a
2009	4,294	9,867	5,573	43.5%	n/a	n/a
2010	4,029	9,464	5,435	42.6%	n/a	n/a
2011	3,575	8,904	5,330	40.1%	n/a	n/a

Policemen's and Firemen's Pension - Act 345 (entry age valuation method)

2002	\$ 28,906	\$ 45,681	\$ 16,775	63.3%	\$ 6,071	276.3%
2003	27,837	47,131	19,294	59.1%	6,213	310.5%
2004	27,219	49,060	21,841	55.5%	6,138	355.8%
2005	27,761	51,434	23,673	54.0%	6,321	374.5%
2006	29,893	53,569	23,676	55.8%	6,598	358.8%
2007	33,250	56,554	23,304	58.8%	6,421	363.0%
2008	36,003	59,228	23,225	60.8%	6,655	349.0%
2009	35,907	61,905	25,998	58.0%	6,767	384.2%
2010	35,632	62,211	26,579	57.3%	6,236	426.2%
2011	33,801	62,431	28,630	54.1%	4,630	618.4%

CITY OF JACKSON, MICHIGAN

**GASB Statement 25 Required Supplementary Information**  
 Pension Trust Funds

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Contribution Rates as Percents of Valuation Payroll	Annual Required Computed Dollar Contribution Projected Payroll	Actual Annual Contributions	Percent Contribution
<u>Employees' Retirement System</u>				
2003	3.9%	\$ 378,931	\$ 378,931	100%
2004	3.9%	383,883	383,883	100%
2005	3.9%	388,706	388,706	100%
2006	5.6%	572,520	572,520	100%
2007	6.9%	722,422	722,422	100%
2008	7.6%	803,042	803,042	100%
2009	7.7%	793,649	793,649	100%
2010	7.7%	750,439	750,439	100%
2011	8.5%	786,824	786,824	100%
2012	9.9%	817,748	817,748	100%
<u>Policemen's and Firemen's Pension</u>				
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%
2007	n/a	934,667	934,667	100%
2008	n/a	612,545	612,545	100%
2009	n/a	641,212	641,212	100%
2010	n/a	722,537	722,537	100%
2011	n/a	500,000	500,000	100%
2012	n/a	500,000	500,000	100%
<u>Policemen's and Firemen's Pension - Act 345</u>				
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%
2007	44.9%	3,098,776	3,098,776	100%
2008	45.7%	3,289,972	3,289,972	100%
2009	45.7%	3,191,716	3,191,716	100%
2010	46.7%	3,256,531	3,256,531	100%
2011	37.7%	2,772,800	2,772,800	100%
2012	43.7%	2,843,528	2,843,528	100%

CITY OF JACKSON, MICHIGAN

**GASB Statement 25 Required Supplementary Information**  
 Pension Trust Funds

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:

	Employees' Retirement System	Policemen's and Firemen's Pension Fund	Policemen's and Firemen's Pension - Act 345 Fund
Valuation date	June 30, 2011	June 30, 2011	June 30, 2011
Actuarial Cost Method	Entry Age	Aggregate	Entry Age
Amortization Method	Level percent	Level dollar	Level percent
DROP amortization period	12 years closed	n/a	n/a
Remaining amortization period (All closed periods)	10 years full funding credit 30 years open 3 years early retirement	9 years	15 years open for actives  15 years open for retirees
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market
Actuarial assumption:			
Investment rate of return	8.0%	7.0%	7.8%
Projected salary increases	4.25% - 8.25%	N/A	4.25% -10.25%
Includes inflation at	4.3%	N/A	4.3%
Cost-of-living adjustments	None	3.0%	None

CITY OF JACKSON, MICHIGAN

**GASB Statement 45 - Other Postemployment Benefits Required Supplementary Information**  
 Other Postemployment Benefits

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/07	\$ -	\$ 56,062,594	0.0%	\$ 56,062,594	\$ 17,393,970	322.3%
6/30/09	360,691	36,872,463	1.0%	36,511,772	14,340,080	254.6%
6/30/11	561,390	59,681,463	0.9%	59,120,073	12,795,432	462.0%

Schedule of Employer Contributions

Year Ended	Annual Required Contributions	Annual Actual Contribution	Percentage Contributed
6/30/10	\$ 4,334,480	\$ 475,390	11.0%
6/30/11	2,971,206	554,950	18.7%
6/30/12	3,097,480	1,567,827	50.6%

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

CITY OF JACKSON, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2012

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
<b>Assets</b>					
Pooled cash and investments	\$ 1,451,022	\$ 19,580	\$ 664,589	\$ 2,977,081	\$ 5,112,272
Receivables:					
Accounts, net	257,275	-	-	-	257,275
Interest	-	-	-	17,312	17,312
Due from other governments	174,616	-	-	-	174,616
Due from other funds	28,763	151	-	-	28,914
Inventories	9,149	-	-	-	9,149
Prepaid expenditures	1,190	-	-	-	1,190
Long-term advance to other funds	-	-	-	80,000	80,000
<b>Total assets</b>	<b>\$ 1,922,015</b>	<b>\$ 19,731</b>	<b>\$ 664,589</b>	<b>\$ 3,074,393</b>	<b>\$ 5,680,728</b>
<b>Liabilities</b>					
Accounts payable	\$ 169,827	\$ -	\$ 14,921	\$ -	\$ 184,748
Accrued payroll	30,691	-	-	-	30,691
Due to other funds	11,903	-	-	28,763	40,666
Interfund payables	214,079	-	-	-	214,079
Deferred revenue	20,676	-	-	-	20,676
<b>Total liabilities</b>	<b>447,176</b>	<b>-</b>	<b>14,921</b>	<b>28,763</b>	<b>490,860</b>
<b>Fund balances</b>					
Nonspendable for:					
Inventories	9,149	-	-	-	9,149
Prepaid expenditures	1,190	-	-	-	1,190
Perpetual care	-	-	-	1,875,973	1,875,973
Endowment	-	-	-	1,089,657	1,089,657
Advances	-	-	-	80,000	80,000
Restricted for:					
Highways and streets	278,465	-	-	-	278,465
Public improvements	788,912	-	-	-	788,912
Culture and recreation	24,174	-	-	-	24,174
Public safety	93,271	-	-	-	93,271
Debt service	-	19,731	-	-	19,731
Downtown Development Authority	-	-	607,555	-	607,555
Committed for:					
Culture and recreation	69,475	-	-	-	69,475
Public safety	210,203	-	-	-	210,203
Capital projects	-	-	42,113	-	42,113
<b>Total fund balances</b>	<b>1,474,839</b>	<b>19,731</b>	<b>649,668</b>	<b>3,045,630</b>	<b>5,189,868</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,922,015</b>	<b>\$ 19,731</b>	<b>\$ 664,589</b>	<b>\$ 3,074,393</b>	<b>\$ 5,680,728</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, 2012

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
<b>Revenues</b>					
Property taxes	\$ 1,046,810	\$ 660,257	\$ 1,038,602	\$ -	\$ 2,745,669
Intergovernmental	1,590,053	1,350,000	-	-	2,940,053
Charges for services	1,499,377	1,062,785	-	21,828	2,583,990
Investment income	17,209	304	388	97,213	115,114
Parking fees	-	-	15,102	-	15,102
Miscellaneous	46,685	2,156	-	-	48,841
<b>Total revenues</b>	<b>4,200,134</b>	<b>3,075,502</b>	<b>1,054,092</b>	<b>119,041</b>	<b>8,448,769</b>
<b>Expenditures</b>					
Current:					
Public safety	995,967	-	-	-	995,967
Public works	838,408	-	-	-	838,408
Culture and recreation	1,156,614	-	-	-	1,156,614
Community enrichment and development	845,981	-	-	9,404	855,385
Capital outlay	-	-	547,300	-	547,300
Debt service:					
Principal retirement	-	915,000	-	-	915,000
Interest and fiscal charges	-	1,255,740	-	-	1,255,740
Bond issuance costs	-	471,371	-	-	471,371
<b>Total expenditures</b>	<b>3,836,970</b>	<b>2,642,111</b>	<b>547,300</b>	<b>9,404</b>	<b>7,035,785</b>
<b>Revenues over expenditures</b>	<b>363,164</b>	<b>433,391</b>	<b>506,792</b>	<b>109,637</b>	<b>1,412,984</b>
<b>Other financing sources (uses)</b>					
Proceeds from issuance of debt	-	13,025,000	-	-	13,025,000
Discount on bonds	-	(69,591)	-	-	(69,591)
Premium on bonds	-	141,288	-	-	141,288
Payment to refunding bond escrow agent	-	(13,975,326)	-	-	(13,975,326)
Transfers in	838,227	450,082	321,993	-	1,610,302
Transfers out	(963,317)	-	(167,072)	(83,033)	(1,213,422)
<b>Total other financing sources (uses)</b>	<b>(125,090)</b>	<b>(428,547)</b>	<b>154,921</b>	<b>(83,033)</b>	<b>(481,749)</b>
<b>Net change in fund balances</b>	<b>238,074</b>	<b>4,844</b>	<b>661,713</b>	<b>26,604</b>	<b>931,235</b>
<b>Fund balances (deficit), beginning of year</b>	<b>1,236,765</b>	<b>14,887</b>	<b>(12,045)</b>	<b>3,019,026</b>	<b>4,258,633</b>
<b>Fund balances, end of year</b>	<b>\$ 1,474,839</b>	<b>\$ 19,731</b>	<b>\$ 649,668</b>	<b>\$ 3,045,630</b>	<b>\$ 5,189,868</b>

## CITY OF JACKSON, MICHIGAN

### Nonmajor Special Revenue Funds

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

*Local Street Fund* - This fund is used to control the expenditure of motor fuel taxes which are earmarked by law 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.

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

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

*Building Demolitions Fund* - This fund was established to account for revenues earmarked for building demolition expenditures that are not otherwise funded with Brownfield Redevelopment or Community Development Block Grant funds.

*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.

*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.

*Housing Code Enforcement Fund* - This fund is used to account for revenues earmarked for housing code enforcement activities.

*Brownfield Assessment Grant Fund* - These funds are 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.

*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.

*Cops Hiring Recovery Program Fund* - This fund is used to account for the activity of a federal grant relating to police staffing.

*Neighborhood Stabilization Grant Fund* - This fund is used to account for the activity of a federal grant related to disadvantaged urban neighborhoods.

*2008 Brownfield Revolving Loan Fund* - This fund is used to account for the activity of revolving loan fund for brownfield redevelopment.

CITY OF JACKSON, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Special Revenue Funds  
 June 30, 2012

	Local Street	Ella W. Sharp Park Operating	Public Improvement	Building Department	Building Demolitions
<b>Assets</b>					
Pooled cash and investments	\$ 192,157	\$ -	\$ 788,912	\$ -	\$ 212,365
Accounts receivables, net	23,528	-	-	155,822	69,250
Due from other governments	92,879	-	-	-	-
Due from other funds	-	28,763	-	-	-
Interfund receivables	-	-	-	-	-
Inventories	-	9,149	-	-	-
Prepaid expenditures	-	-	-	-	-
<b>Total assets</b>	<b>\$ 308,564</b>	<b>\$ 37,912</b>	<b>\$ 788,912</b>	<b>\$ 155,822</b>	<b>\$ 281,615</b>
<b>Liabilities</b>					
Accounts payable	\$ 28,907	\$ 12,571	\$ -	\$ 3,129	\$ 98,749
Accrued payroll	1,192	9,476	-	5,415	-
Due to other funds	-	-	-	6,167	-
Interfund payables	-	4,576	-	136,519	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>30,099</b>	<b>26,623</b>	<b>-</b>	<b>151,230</b>	<b>98,749</b>
<b>Fund balances</b>					
Nonspendable for:					
Inventories	-	9,149	-	-	-
Prepaid expenditures	-	-	-	-	-
Restricted for:					
Highways and streets	278,465	-	-	-	-
Public improvements	-	-	788,912	-	-
Culture and recreation	-	-	-	-	-
Public safety	-	-	-	-	-
Committed for:					
Culture and recreation	-	2,140	-	-	-
Public safety	-	-	-	4,592	182,866
<b>Total fund balances</b>	<b>278,465</b>	<b>11,289</b>	<b>788,912</b>	<b>4,592</b>	<b>182,866</b>
<b>Total liabilities and fund balances</b>	<b>\$ 308,564</b>	<b>\$ 37,912</b>	<b>\$ 788,912</b>	<b>\$ 155,822</b>	<b>\$ 281,615</b>



Drug Law Enforcement	LAWNET Grant	Recreation Activity	Community Development Home Grant	Housing Code Enforcement
\$ 92,304	\$ -	\$ 71,642	\$ 11,668	\$ 15,947
-	-	-	-	8,675
-	1,250	-	2,132	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,190
<u>\$ 92,304</u>	<u>\$ 1,250</u>	<u>\$ 71,642</u>	<u>\$ 13,800</u>	<u>\$ 25,812</u>
\$ 180	\$ -	\$ 788	\$ 12,200	\$ 1,562
-	-	3,519	-	336
-	-	-	1,600	-
-	103	-	-	-
-	-	-	-	-
<u>180</u>	<u>103</u>	<u>4,307</u>	<u>13,800</u>	<u>1,898</u>
-	-	-	-	-
-	-	-	-	1,190
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
92,124	1,147	-	-	-
-	-	67,335	-	-
-	-	-	-	22,724
<u>92,124</u>	<u>1,147</u>	<u>67,335</u>	<u>-</u>	<u>23,914</u>
<u>\$ 92,304</u>	<u>\$ 1,250</u>	<u>\$ 71,642</u>	<u>\$ 13,800</u>	<u>\$ 25,812</u>

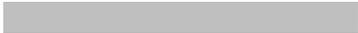
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CITY OF JACKSON, MICHIGAN

Combining Balance Sheet

Nonmajor Special Revenue Funds  
June 30, 2012

	Brownfield Assessment Grant	Byrne / JAG Program Grants	Recreation Millage	Cops Hiring Recovery Program	Neighborhood Stabilization Grant
<b>Assets</b>					
Pooled cash and investments	\$ -	\$ -	\$ 38,621	\$ -	\$ 27,406
Accounts receivables, net	-	-	-	-	-
Due from other governments	154	27,950	-	44,951	-
Due from other funds	-	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
<b>Total assets</b>	<b>\$ 154</b>	<b>\$ 27,950</b>	<b>\$ 38,621</b>	<b>\$ 44,951</b>	<b>\$ 27,406</b>
<b>Liabilities</b>					
Accounts payable	\$ 154	\$ -	\$ 3,694	\$ -	\$ 2,593
Accrued payroll	-	-	10,753	-	-
Due to other funds	-	-	-	-	4,136
Interfund payables	-	27,930	-	44,951	-
Deferred revenue	-	-	-	-	20,676
<b>Total liabilities</b>	<b>154</b>	<b>27,930</b>	<b>14,447</b>	<b>44,951</b>	<b>27,405</b>
<b>Fund balances</b>					
Nonspendable for:					
Inventories	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Restricted for:					
Highways and streets	-	-	-	-	-
Public improvements	-	-	-	-	-
Culture and recreation	-	-	24,174	-	-
Public safety	-	-	-	-	-
Committed for:					
Culture and recreation	-	-	-	-	-
Public safety	-	20	-	-	1
<b>Total fund balances</b>	<b>-</b>	<b>20</b>	<b>24,174</b>	<b>-</b>	<b>1</b>
<b>Total liabilities and fund balances</b>	<b>\$ 154</b>	<b>\$ 27,950</b>	<b>\$ 38,621</b>	<b>\$ 44,951</b>	<b>\$ 27,406</b>



2008 Brownfield Revolving Loan	Totals
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\$ -	\$ 1,451,022
-	257,275
5,300	174,616
-	28,763
-	-
-	9,149
-	1,190

<u>\$ 5,300</u>	<u>\$ 1,922,015</u>
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\$ 5,300	\$ 169,827
-	30,691
-	11,903
-	214,079
-	20,676

<u>5,300</u>	<u>447,176</u>
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-	9,149
-	1,190
-	278,465
-	788,912
-	24,174
-	93,271
-	69,475
-	210,203

<u>-</u>	<u>1,474,839</u>
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<u>\$ 5,300</u>	<u>\$ 1,922,015</u>
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concluded

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, 2012**

	Local Street	Ella W. Sharp Park Operating	Public Improvement	Building Department	Building Demolitions
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ 1,046,810	\$ -	\$ -
Intergovernmental	565,228	-	-	-	-
Charges for services	-	509,529	-	439,715	69,250
Investment income	19	10	7,496	8,453	453
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>565,247</b>	<b>509,539</b>	<b>1,054,306</b>	<b>448,168</b>	<b>69,703</b>
<b>Expenditures</b>					
Current:					
Public safety	-	-	-	536,378	111,837
Public works	811,184	-	-	-	-
Culture and recreation	-	675,394	-	-	-
Community enrichment and development	-	-	182,969	-	-
<b>Total expenditures</b>	<b>811,184</b>	<b>675,394</b>	<b>182,969</b>	<b>536,378</b>	<b>111,837</b>
<b>Revenues over (under) expenditures</b>	<b>(245,937)</b>	<b>(165,855)</b>	<b>871,337</b>	<b>(88,210)</b>	<b>(42,134)</b>
<b>Other financing sources (uses)</b>					
Transfers in	369,015	165,611	-	75,000	225,000
Transfers out	(22,641)	-	(937,075)	-	-
<b>Total other financing sources (uses)</b>	<b>346,374</b>	<b>165,611</b>	<b>(937,075)</b>	<b>75,000</b>	<b>225,000</b>
<b>Net change in fund balances</b>	<b>100,437</b>	<b>(244)</b>	<b>(65,738)</b>	<b>(13,210)</b>	<b>182,866</b>
<b>Fund balances, beginning of year</b>	<b>178,028</b>	<b>11,533</b>	<b>854,650</b>	<b>17,802</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 278,465</b>	<b>\$ 11,289</b>	<b>\$ 788,912</b>	<b>\$ 4,592</b>	<b>\$ 182,866</b>



Drug Law Enforcement	LAWNET Grant	Recreation Activity	Community Development Home Grant	Housing Code Enforcement
\$ -	\$ -	\$ -	\$ -	\$ -
-	3,355	-	547,461	23,911
-	-	253,334	-	-
383	1	356	-	3
46,660	-	-	25	-
<u>47,043</u>	<u>3,356</u>	<u>253,690</u>	<u>547,486</u>	<u>23,914</u>
33,440	6,957	-	-	-
-	-	-	-	-
-	-	250,183	-	-
-	-	-	547,486	-
<u>33,440</u>	<u>6,957</u>	<u>250,183</u>	<u>547,486</u>	<u>-</u>
<u>13,603</u>	<u>(3,601)</u>	<u>3,507</u>	<u>-</u>	<u>23,914</u>
-	3,601	-	-	-
(3,601)	-	-	-	-
<u>(3,601)</u>	<u>3,601</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,002	-	3,507	-	23,914
82,122	1,147	63,828	-	-
<u>\$ 92,124</u>	<u>\$ 1,147</u>	<u>\$ 67,335</u>	<u>\$ -</u>	<u>\$ 23,914</u>

continued...

CITY OF JACKSON, MICHIGAN

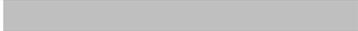
Combining Statement of Revenues, Expenditures

and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2012

	Brownfield Assessment Grant	Byrne / JAG Program Grants	Recreation Millage	Cops Hiring Recovery Program	Neighborhood Stabilization Grant
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	12,287	111,710	-	195,665	115,499
Charges for services	-	-	227,549	-	-
Investment income	-	-	7	-	28
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>12,287</b>	<b>111,710</b>	<b>227,556</b>	<b>195,665</b>	<b>115,527</b>
<b>Expenditures</b>					
<b>Current:</b>					
Public safety	-	111,690	-	195,665	-
Public works	12,287	-	-	-	-
Culture and recreation	-	-	231,037	-	-
Community enrichment and development	-	-	-	-	115,526
<b>Total expenditures</b>	<b>12,287</b>	<b>111,690</b>	<b>231,037</b>	<b>195,665</b>	<b>115,526</b>
Revenues over (under) expenditures	-	20	(3,481)	-	1
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	20	(3,481)	-	1
Fund balances, beginning of year	-	-	27,655	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 20</b>	<b>\$ 24,174</b>	<b>\$ -</b>	<b>\$ 1</b>



2008 Brownfield Revolving Loan	Totals
---	--------

\$ -	\$ 1,046,810
14,937	1,590,053
-	1,499,377
-	17,209
-	46,685
<u>14,937</u>	<u>4,200,134</u>

-	995,967
14,937	838,408
-	1,156,614
<u>-</u>	<u>845,981</u>

<u>14,937</u>	<u>3,836,970</u>
---------------	------------------

<u>-</u>	<u>363,164</u>
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-	838,227
-	(963,317)
<u>-</u>	<u>(125,090)</u>

-	238,074
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<u>-</u>	<u>1,236,765</u>
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<u>\$ -</u>	<u>\$ 1,474,839</u>
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concluded

# 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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Intergovernmental	\$ 550,250	\$ 565,228	\$ 14,978	\$ 561,264
Investment income	-	19	19	-
Miscellaneous	-	-	-	9,750
<b>Total revenues</b>	<b>550,250</b>	<b>565,247</b>	<b>14,997</b>	<b>571,014</b>
<b>Expenditures</b>				
Current - public works:				
Street construction	905,650	734,344	(171,306)	503,484
Street maintenance	682,805	482,844	(199,961)	663,178
Traffic services	17,065	4,452	(12,613)	13,238
Winter maintenance	59,387	53,025	(6,362)	172,762
Reimbursements	(478,694)	(463,481)	15,213	(390,798)
<b>Total expenditures</b>	<b>1,186,213</b>	<b>811,184</b>	<b>(375,029)</b>	<b>961,864</b>
Revenues over (under) expenditures	(635,963)	(245,937)	390,026	(390,850)
<b>Other financing sources (uses)</b>				
Transfers in	569,125	369,015	(200,110)	512,794
Transfers out	(22,659)	(22,641)	18	(22,474)
<b>Total other financing sources (uses)</b>	<b>546,466</b>	<b>346,374</b>	<b>(200,092)</b>	<b>490,320</b>
<b>Net change in fund balance</b>	<b>(89,497)</b>	<b>100,437</b>	<b>189,934</b>	<b>99,470</b>
Fund balance, beginning of year	178,028	178,028	-	78,558
<b>Fund balance, end of year</b>	<b>\$ 88,531</b>	<b>\$ 278,465</b>	<b>\$ 189,934</b>	<b>\$ 178,028</b>

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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Charges for services	\$ 522,000	\$ 509,529	\$ (12,471)	\$ 471,672
Investment income	100	10	(90)	18
Miscellaneous	15,800	-	(15,800)	15,800
<b>Total revenues</b>	<b>537,900</b>	<b>509,539</b>	<b>(28,361)</b>	<b>487,490</b>
<b>Expenditures</b>				
Current - culture and recreation:				
Personal services	376,914	397,741	20,827	414,666
Materials and supplies	189,000	186,358	(2,642)	183,016
Contractual and other services	100,779	91,295	(9,484)	76,924
<b>Total expenditures</b>	<b>666,693</b>	<b>675,394</b>	<b>8,701</b>	<b>674,606</b>
Revenues under expenditures	(128,793)	(165,855)	(37,062)	(187,116)
<b>Other financing sources</b>				
Transfers in	128,925	165,611	36,686	190,724
<b>Net change in fund balance</b>	<b>132</b>	<b>(244)</b>	<b>(376)</b>	<b>3,608</b>
Fund balance, beginning of year	11,533	11,533	-	7,925
<b>Fund balance, end of year</b>	<b>\$ 11,665</b>	<b>\$ 11,289</b>	<b>\$ (376)</b>	<b>\$ 11,533</b>

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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Property taxes	\$ 1,041,300	\$ 1,046,810	\$ 5,510	\$ 1,111,314
Investment income	7,500	7,496	(4)	7,674
<b>Total revenues</b>	<u>1,048,800</u>	<u>1,054,306</u>	<u>5,506</u>	<u>1,118,988</u>
<b>Expenditures</b>				
Current - community enrichment and development	245,460	182,969	(62,491)	160,132
Debt service:				
Principal retirement	-	-	-	25,000
Interest	-	-	-	1,311
<b>Total expenditures</b>	<u>245,460</u>	<u>182,969</u>	<u>(62,491)</u>	<u>186,443</u>
Revenues over expenditures	803,340	871,337	67,997	932,545
<b>Other financing uses</b>				
Transfers out	(1,090,082)	(937,075)	153,007	(697,408)
<b>Net change in fund balance</b>	<u>(286,742)</u>	<u>(65,738)</u>	<u>221,004</u>	<u>235,137</u>
Fund balance, beginning of year	854,650	854,650	-	619,513
<b>Fund balance, end of year</b>	<u>\$ 567,908</u>	<u>\$ 788,912</u>	<u>\$ 221,004</u>	<u>\$ 854,650</u>

CITY OF JACKSON, MICHIGAN

**Building Department Fund**

Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Amended Budget and Actual  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Charges for services	\$ 438,050	\$ 439,715	\$ 1,665	\$ 461,708
Investment income	11,250	8,453	(2,797)	-
<b>Total revenues</b>	<b>449,300</b>	<b>448,168</b>	<b>(1,132)</b>	<b>461,708</b>
<b>Expenditures</b>				
Current - public safety:				
Personal services	344,920	368,555	23,635	347,937
Materials and supplies	11,025	15,807	4,782	7,971
Inspection services	100,000	71,754	(28,246)	63,504
Contractual and other services	80,467	80,262	(205)	25,699
<b>Total expenditures</b>	<b>536,412</b>	<b>536,378</b>	<b>(34)</b>	<b>445,111</b>
Revenues over (under) expenditures	(87,112)	(88,210)	(1,098)	16,597
<b>Other financing sources</b>				
Transfers in	69,310	75,000	5,690	-
<b>Net change in fund balance</b>	<b>(17,802)</b>	<b>(13,210)</b>	<b>4,592</b>	<b>16,597</b>
Fund balance, beginning of year	17,802	17,802	-	1,205
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ 4,592</b>	<b>\$ 4,592</b>	<b>\$ 17,802</b>

CITY OF JACKSON, MICHIGAN

**Building Demolitions Fund**

Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Amended Budget and Actual  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
Revenues				
Charges for services	\$ -	\$ 69,250	\$ 69,250	\$ -
Investment income	-	453	453	-
<b>Total revenues</b>	<b>-</b>	<b>69,703</b>	<b>69,703</b>	<b>-</b>
Expenditures				
Current - public safety:				
Contractual and other services	225,000	111,837	(113,163)	-
Revenues over (under) expenditures	(225,000)	(42,134)	182,866	-
Other financing sources				
Transfers in	225,000	225,000	-	-
Net change in fund balance	-	182,866	182,866	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 182,866	\$ 182,866	\$ -

# 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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Investment income	\$ 242	\$ 383	\$ 141	\$ 380
Miscellaneous:				
Sale of property	26,887	20,220	(6,667)	5,235
Other	12,560	26,440	13,880	85,498
<b>Total revenues</b>	<b>39,689</b>	<b>47,043</b>	<b>7,354</b>	<b>91,113</b>
<b>Expenditures</b>				
Current - public safety:				
Personal services	24,872	23,233	(1,639)	-
Materials and supplies	2,450	701	(1,749)	8
Contractual and other services	11,830	9,506	(2,324)	84,985
<b>Total expenditures</b>	<b>39,152</b>	<b>33,440</b>	<b>(5,712)</b>	<b>84,993</b>
Revenues over expenditures	537	13,603	13,066	6,120
<b>Other financing uses</b>				
Transfers out	(9,367)	(3,601)	5,766	-
<b>Net change in fund balance</b>	<b>(8,830)</b>	<b>10,002</b>	<b>18,832</b>	<b>6,120</b>
Fund balance, beginning of year	82,122	82,122	-	76,002
<b>Fund balance, end of year</b>	<b>\$ 73,292</b>	<b>\$ 92,124</b>	<b>\$ 18,832</b>	<b>\$ 82,122</b>

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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Intergovernmental	\$ 4,121	\$ 3,355	\$ (766)	\$ 45,373
Investment income	-	1	1	1
Miscellaneous	-	-	-	78,863
<b>Total revenues</b>	<b>4,121</b>	<b>3,356</b>	<b>(765)</b>	<b>124,237</b>
<b>Expenditures</b>				
Current - public safety - Personal services	8,488	6,957	(1,531)	124,235
<b>Revenues over (under) expenditures</b>	<b>(4,367)</b>	<b>(3,601)</b>	<b>766</b>	<b>2</b>
<b>Other financing sources</b>				
Transfers in	4,367	3,601	(766)	-
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Fund balance, beginning of year</b>	<b>1,147</b>	<b>1,147</b>	<b>-</b>	<b>1,145</b>
<b>Fund balance, end of year</b>	<b>\$ 1,147</b>	<b>\$ 1,147</b>	<b>\$ -</b>	<b>\$ 1,147</b>

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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Charges for services	\$ 294,000	\$ 253,334	\$ (40,666)	\$ 225,922
Investment income	2,000	356	(1,644)	220
Miscellaneous	-	-	-	4,600
<b>Total revenues</b>	<u>296,000</u>	<u>253,690</u>	<u>(42,310)</u>	<u>230,742</u>
<b>Expenditures</b>				
Current - culture and recreation:				
Personal services	123,703	110,288	(13,415)	106,093
Materials and supplies	39,003	60,983	21,980	31,303
Contractual and other services	83,000	78,912	(4,088)	71,934
<b>Total expenditures</b>	<u>245,706</u>	<u>250,183</u>	<u>4,477</u>	<u>209,330</u>
<b>Net change in fund balances</b>	50,294	3,507	(46,787)	21,412
<b>Fund balance, beginning of year</b>	<u>63,828</u>	<u>63,828</u>	-	<u>42,416</u>
<b>Fund balance, end of year</b>	<u>\$ 114,122</u>	<u>\$ 67,335</u>	<u>\$ (46,787)</u>	<u>\$ 63,828</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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Intergovernmental	\$ 595,573	\$ 547,461	\$ (48,112)	\$ 481,778
Miscellaneous	-	25	25	1,659
<b>Total revenues</b>	<u>595,573</u>	<u>547,486</u>	<u>(48,087)</u>	<u>483,437</u>
<b>Expenditures</b>				
Current - community enrichment and development:				
Rehabilitation assistance	214,818	199,847	(14,971)	338,722
Community housing development organizations	352,239	347,639	(4,600)	144,715
<b>Total expenditures</b>	<u>567,057</u>	<u>547,486</u>	<u>(19,571)</u>	<u>483,437</u>
<b>Net change in fund balance</b>	28,516	-	(28,516)	-
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ 28,516</u>	<u>\$ -</u>	<u>\$ (28,516)</u>	<u>\$ -</u>

CITY OF JACKSON, MICHIGAN

**Housing Code Enforcement Fund**

Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Amended Budget and Actual  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
Revenues				
Intergovernmental	\$ -	\$ 23,911	\$ 23,911	\$ -
Investment income	-	3	3	-
<b>Total revenues</b>	<b>-</b>	<b>23,914</b>	<b>23,914</b>	<b>-</b>
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ 23,914</b>	<b>\$ 23,914</b>	<b>\$ -</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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
Revenues				
Intergovernmental	\$ 72,725	\$ 12,287	\$ (60,438)	\$ 89,579
Expenditures				
Current - public works:				
Personal services	2,391	56	(2,335)	59
Materials and supplies	18,554	241	(18,313)	21,802
Contractual and other services	51,780	11,990	(39,790)	67,718
Total expenditures	72,725	12,287	(60,438)	89,579
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
Revenues				
Intergovernmental	\$ 222,696	\$ 111,710	\$ (110,986)	\$ 134,103
Expenditures				
Current - public safety:				
Personal services	166,656	71,997	(94,659)	97,208
Contractual and other services	56,040	39,693	(16,347)	36,895
Total expenditures	222,696	111,690	(111,006)	134,103
Net change in fund balance	-	20	20	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 20	\$ 20	\$ -

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, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Charges for services	\$ 223,200	\$ 227,549	\$ 4,349	\$ 237,878
Investment income	-	7	7	-
<b>Total revenues</b>	<u>223,200</u>	<u>227,556</u>	<u>4,356</u>	<u>237,878</u>
<b>Expenditures</b>				
Current - culture and recreation:				
Personal services	156,730	133,648	(23,082)	130,599
Materials and supplies	57,000	79,317	22,317	80,854
Contractual and other services	14,270	18,072	3,802	19,483
<b>Total expenditures</b>	<u>228,000</u>	<u>231,037</u>	<u>3,037</u>	<u>230,936</u>
<b>Net change in fund balance</b>	(4,800)	(3,481)	1,319	6,942
<b>Fund balance, beginning of year</b>	<u>27,655</u>	<u>27,655</u>	-	<u>20,713</u>
<b>Fund balance, end of year</b>	<u>\$ 22,855</u>	<u>\$ 24,174</u>	<u>\$ 1,319</u>	<u>\$ 27,655</u>

CITY OF JACKSON, MICHIGAN

**Cops Hiring Recovery Program**

Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Amended Budget and Actual  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
Revenues				
Intergovernmental revenue	\$ 212,010	\$ 195,665	\$ (16,345)	\$ 183,234
Expenditures				
Current - public safety - Personal services	212,010	195,665	(16,345)	183,234
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF JACKSON, MICHIGAN

**Neighborhood Stabilization Grant**

Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Amended Budget and Actual  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues</b>				
Intergovernmental revenue	\$ 223,306	\$ 115,499	\$ (107,807)	\$ 333,779
Investment income	-	28	28	-
<b>Total revenues</b>	<b>223,306</b>	<b>115,527</b>	<b>(107,779)</b>	<b>333,779</b>
<b>Expenditures</b>				
Current - culture and recreation - Community housing	223,306	115,526	(107,780)	333,779
<b>Net change in fund balance</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>Fund balance, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ -</b>

CITY OF JACKSON, MICHIGAN

**2008 Brownfield Revolving Loan**

Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Amended Budget and Actual  
 For the Fiscal Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
Revenues				
Intergovernmental revenue	\$ 96,200	\$ 14,937	\$ (81,263)	\$ 24,813
Expenditures				
Current - public works:				
Personal services	2,000	-	(2,000)	-
Contractual and other services	94,200	14,937	(79,263)	24,813
Total expenditures	96,200	14,937	(81,263)	24,813
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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## CITY OF JACKSON, MICHIGAN

### Nonmajor Debt Service Funds

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.

*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.

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

*2007 Brownfield Refunding Debt Service Fund*- This fund is used to record principal and interest payments on the \$9,905,000 Refunding Bonds dated December 1, 2007.

*2012 Brownfield Refunding Debt Service Fund*- This fund is used to record principal and interest payments on the \$7,360,000 Refunding Bonds dated December 1, 2007.

*2011 Downtown Development Refunding Debt Service Fund*- This fund is used to record principal and interest payments on the \$5,395,000 Refunding Bonds dated March 27, 2001.

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

CITY OF JACKSON, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Debt Service Funds  
 June 30, 2012

	2003 City Hall Construction	2003 MTF Bond	2007 Brownfield Refunding	2012 Brownfield Refunding	2011 DDA Refunding
<b>Assets</b>					
Pooled cash and investments	\$ 10,625	\$ 7	\$ 100	\$ 2,156	\$ 431
Due from other funds	151	-	-	-	-
<b>Total assets</b>	<u>\$ 10,776</u>	<u>\$ 7</u>	<u>\$ 100</u>	<u>\$ 2,156</u>	<u>\$ 431</u>
<b>Fund balances</b>					
Restricted for debt service	<u>\$ 10,776</u>	<u>\$ 7</u>	<u>\$ 100</u>	<u>\$ 2,156</u>	<u>\$ 431</u>



Building Authority	2001 DDA TIF	2002 BRA TIF	Section 108 Loan	Totals
\$ 3,351 -	\$ 637 -	\$ 2,273 -	\$ - -	\$ 19,580 151
<u>\$ 3,351</u>	<u>\$ 637</u>	<u>\$ 2,273</u>	<u>\$ -</u>	<u>\$ 19,731</u>
<u>\$ 3,351</u>	<u>\$ 637</u>	<u>\$ 2,273</u>	<u>\$ -</u>	<u>\$ 19,731</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, 2012**

	2003 City Hall Construction	2003 MTF Bond	2007 Brownfield Refunding	2012 Brownfield Refunding	2011 DDA Refunding
<b>Revenues</b>					
Property taxes	\$ 660,257	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	1,350,000	-
Charges for services	-	-	446,529	-	-
Investment income	304	-	-	-	-
Miscellaneous	-	-	-	2,156	-
<b>Total revenues</b>	<b>660,561</b>	<b>-</b>	<b>446,529</b>	<b>1,352,156</b>	<b>-</b>
<b>Expenditures</b>					
Debt service:					
Principal retirement	250,000	270,000	30,000	-	-
Interest and fiscal charges	408,304	13,010	416,529	-	166,366
Bond issuance costs	-	-	-	258,850	212,521
<b>Total expenditures</b>	<b>658,304</b>	<b>283,010</b>	<b>446,529</b>	<b>258,850</b>	<b>378,887</b>
Revenues over (under) expenditures	2,257	(283,010)	-	1,093,306	(378,887)
<b>Other financing sources (uses)</b>					
Proceeds from issuance of debt	-	-	-	7,630,000	5,395,000
Discount on bonds	-	-	-	-	(69,591)
Premium on bonds	-	-	-	141,288	-
Payment to refunding bond escrow agent	-	-	-	(8,862,438)	(5,112,888)
Transfers in	-	283,010	-	-	166,797
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>283,010</b>	<b>-</b>	<b>(1,091,150)</b>	<b>379,318</b>
Net change in fund balances	2,257	-	-	2,156	431
Fund balances, beginning of year	8,519	7	100	-	-
<b>Fund balances, end of year</b>	<b>\$ 10,776</b>	<b>\$ 7</b>	<b>\$ 100</b>	<b>\$ 2,156</b>	<b>\$ 431</b>

Building Authority	2001 DDA TIF	2002 BRA TIF	Section 108 Loan	Totals
\$ -	\$ -	\$ -	\$ -	\$ 660,257
-	-	-	-	1,350,000
132,910	-	418,346	65,000	1,062,785
-	-	-	-	304
-	-	-	-	2,156
<u>132,910</u>	<u>-</u>	<u>418,346</u>	<u>65,000</u>	<u>3,075,502</u>
110,000	-	190,000	65,000	915,000
22,910	275	228,346	-	1,255,740
-	-	-	-	471,371
<u>132,910</u>	<u>275</u>	<u>418,346</u>	<u>65,000</u>	<u>2,642,111</u>
<u>-</u>	<u>(275)</u>	<u>-</u>	<u>-</u>	<u>433,391</u>
-	-	-	-	13,025,000
-	-	-	-	(69,591)
-	-	-	-	141,288
-	-	-	-	(13,975,326)
-	275	-	-	450,082
<u>-</u>	<u>275</u>	<u>-</u>	<u>-</u>	<u>(428,547)</u>
-	-	-	-	4,844
3,351	637	2,273	-	14,887
<u>\$ 3,351</u>	<u>\$ 637</u>	<u>\$ 2,273</u>	<u>\$ -</u>	<u>\$ 19,731</u>

## CITY OF JACKSON, MICHIGAN

### ■ Nonmajor Capital Projects Funds

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.

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

*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, 2012

	Capital Projects	Downtown Development Authority Project	Totals
<b>Assets</b>			
Pooled cash and investments	\$ 54,152	\$ 610,437	\$ 664,589
<b>Liabilities</b>			
Accounts payable	\$ 12,039	\$ 2,882	\$ 14,921
<b>Fund balances</b>			
Committed for capital projects	42,113	-	42,113
Restricted	-	607,555	607,555
<b>Total fund balances</b>	<u>42,113</u>	<u>607,555</u>	<u>649,668</u>
<b>Total liabilities and fund balances</b>	<u>\$ 54,152</u>	<u>\$ 610,437</u>	<u>\$ 664,589</u>

# 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, 2012

	Capital Projects	Downtown Development Authority Project	Totals
<b>Revenues</b>			
Property taxes	\$ -	\$ 1,038,602	\$ 1,038,602
Investment income	15	373	388
Parking fees	15,102	-	15,102
<b>Total revenues</b>	<b>15,117</b>	<b>1,038,975</b>	<b>1,054,092</b>
<b>Expenditures</b>			
Community enrichment and development	340,570	206,730	547,300
<b>Revenues over (under) expenditures</b>	<b>(325,453)</b>	<b>832,245</b>	<b>506,792</b>
<b>Other financing sources (uses)</b>			
Transfers in	321,993	-	321,993
Transfers out	-	(167,072)	(167,072)
<b>Total other financing sources (uses)</b>	<b>321,993</b>	<b>(167,072)</b>	<b>154,921</b>
<b>Net change in fund balances</b>	<b>(3,460)</b>	<b>665,173</b>	<b>661,713</b>
<b>Fund balances (deficit), beginning of year</b>	<b>45,573</b>	<b>(57,618)</b>	<b>(12,045)</b>
<b>Fund balances, end of year</b>	<b>\$ 42,113</b>	<b>\$ 607,555</b>	<b>\$ 649,668</b>

## CITY OF JACKSON, MICHIGAN

### ■ Nonmajor Permanent Funds

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

*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, 2012

	Ella W. Sharp Park Endowment	Cemetery Perpetual Maintenance	Total
<b>Assets</b>			
Pooled cash and investments - restricted	\$ 1,118,420	\$ 1,858,661	\$ 2,977,081
Interest receivable	-	17,312	17,312
Long-term advance to other funds	80,000	-	80,000
<b>Total assets</b>	<b>\$ 1,198,420</b>	<b>\$ 1,875,973</b>	<b>\$ 3,074,393</b>
<b>Liabilities</b>			
Due to other funds	\$ 28,763	\$ -	\$ 28,763
<b>Fund balances</b>			
Nonspendable for:			
Perpetual care	-	1,875,973	1,875,973
Endowment	1,089,657	-	1,089,657
Advances	80,000	-	80,000
<b>Total fund balances</b>	<b>1,169,657</b>	<b>1,875,973</b>	<b>3,045,630</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,198,420</b>	<b>\$ 1,875,973</b>	<b>\$ 3,074,393</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, 2012

	Ella W. Sharp Park Endowment	Cemetery Perpetual Maintenance	Total
Revenues			
Charges for services	\$ -	\$ 21,828	\$ 21,828
Investment income	37,267	59,946	97,213
Total revenues	37,267	81,774	119,041
Expenditures	-	9,404	9,404
Revenues over expenditures	37,267	72,370	109,637
Other financing uses			
Transfers out	(40,611)	(42,422)	(83,033)
Net change in fund balances	(3,344)	29,948	26,604
Fund balances, beginning of year	1,173,001	1,846,025	3,019,026
Fund balances, end of year	\$ 1,169,657	\$ 1,875,973	\$ 3,045,630

## CITY OF JACKSON, MICHIGAN

### ■ Nonmajor Enterprise Funds

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.

*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.

*Stormwater Utility* - This fund is used to account for the revenues and expenses of the City's stormwater utility system.

CITY OF JACKSON, MICHIGAN

**Combining Statement of Net Assets**

Nonmajor Enterprise Funds

June 30, 2012

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Stormwater Utility	Totals
<b>Assets</b>					
Current assets:					
Pooled cash and investments	\$ 28,876	\$ 5,239	\$ 65,169	\$ 324,521	\$ 423,805
Accounts receivable	-	-	-	394,798	394,798
Total current assets	<u>28,876</u>	<u>5,239</u>	<u>65,169</u>	<u>719,319</u>	<u>818,603</u>
Noncurrent assets:					
Capital assets not being depreciated	-	1,682,727	-	-	1,682,727
Capital assets being depreciated, net	53,507	152,127	-	-	205,634
Total noncurrent assets	<u>53,507</u>	<u>1,834,854</u>	<u>-</u>	<u>-</u>	<u>1,888,361</u>
Total assets	<u>82,383</u>	<u>1,840,093</u>	<u>65,169</u>	<u>719,319</u>	<u>2,706,964</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	-	597	731	82,084	83,412
Accrued payroll	1,077	91	685	2,554	4,407
Total current liabilities	<u>1,077</u>	<u>688</u>	<u>1,416</u>	<u>84,638</u>	<u>87,819</u>
Noncurrent liabilities -					
Long term advance from other funds	80,000	-	-	-	80,000
Total liabilities	<u>81,077</u>	<u>688</u>	<u>1,416</u>	<u>84,638</u>	<u>167,819</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	53,507	1,834,854	-	-	1,888,361
Unrestricted (deficit)	(52,201)	4,551	63,753	634,681	650,784
Total net assets	<u>\$ 1,306</u>	<u>\$ 1,839,405</u>	<u>\$ 63,753</u>	<u>\$ 634,681</u>	<u>\$ 2,539,145</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, 2012

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Stormwater Utility	Totals
Operating revenues					
Charges for sales and services	\$ 53,069	\$ 13,479	\$ 43,001	\$ 1,257,460	\$ 1,367,009
Miscellaneous	-	-	13,374	-	13,374
Total operating revenues	53,069	13,479	56,375	1,257,460	1,380,383
Operating expenses					
Personal services	36,845	9,466	56,299	221,013	323,623
Materials and supplies	3,153	431	-	-	3,584
Contractual and other services	1,920	11,730	44,610	623,409	681,669
Depreciation	17,836	6,085	-	-	23,921
Total operating expenses	59,754	27,712	100,909	844,422	1,032,797
Operating income (loss)	(6,685)	(14,233)	(44,534)	413,038	347,586
Nonoperating revenues (expenses)					
Investment income	81	3	-	1,240	1,324
Interest and fiscal charges	(2,250)	-	-	-	(2,250)
Total nonoperating revenues (expenses)	(2,169)	3	-	1,240	(926)
Income (loss) before transfers	(8,854)	(14,230)	(44,534)	414,278	346,660
Transfers in	10,000	11,000	57,460	-	78,460
Transfers out	-	-	-	(43,875)	(43,875)
Change in net assets	1,146	(3,230)	12,926	370,403	381,245
Net assets, beginning of year	160	1,842,635	50,827	264,278	2,157,900
Net assets, end of year	\$ 1,306	\$ 1,839,405	\$ 63,753	\$ 634,681	\$ 2,539,145

CITY OF JACKSON, MICHIGAN

**Combining Statement of Cash Flows**  
 Nonmajor Enterprise Funds  
 For the Fiscal Year Ended June 30, 2012

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Stormwater Utility	Totals
<b>Cash flows from operating activities</b>					
Payments to employees	\$ (36,845)	\$ (9,466)	\$ (56,299)	\$ (221,013)	\$ (323,623)
Payments to vendors and claimants	(20,553)	(14,604)	(47,023)	(558,658)	(640,838)
Receipts from customers and users	53,069	13,479	56,375	1,038,803	1,161,726
<b>Net cash provided by (used in) operating activities</b>	<b>(4,329)</b>	<b>(10,591)</b>	<b>(46,947)</b>	<b>259,132</b>	<b>197,265</b>
<b>Cash flows from capital and related financing activities</b>					
Interest paid on long-term debt	(2,250)	-	-	-	(2,250)
<b>Cash flows from noncapital financing activities</b>					
Transfer in	10,000	11,000	57,460	-	78,460
Transfer out	-	-	-	(43,875)	(43,875)
<b>Net cash provided by (used) in noncapital and related financing activities</b>	<b>10,000</b>	<b>11,000</b>	<b>57,460</b>	<b>(43,875)</b>	<b>34,585</b>
<b>Cash flows from investing activities</b>					
Interest received on investments	81	3	-	1,240	1,324
<b>Net change in cash and cash equivalents</b>	<b>3,502</b>	<b>412</b>	<b>10,513</b>	<b>216,497</b>	<b>230,924</b>
Cash and cash equivalents, beginning of year	25,374	4,827	54,656	108,024	192,881
<b>Cash and cash equivalents, end of year</b>	<b>\$ 28,876</b>	<b>\$ 5,239</b>	<b>\$ 65,169</b>	<b>\$ 324,521</b>	<b>\$ 423,805</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ (6,685)	\$ (14,233)	\$ (44,534)	\$ 413,038	\$ 347,586
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	17,836	6,085	-	-	23,921
Change in:					
Accounts receivable	-	-	-	(218,657)	(218,657)
Accounts payable	(2,900)	(2,475)	(64)	62,484	57,045
Accrued payroll	(2,580)	32	(2,349)	2,267	(2,630)
Advance from other funds	(10,000)	-	-	-	(10,000)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (4,329)</b>	<b>\$ (10,591)</b>	<b>\$ (46,947)</b>	<b>\$ 259,132</b>	<b>\$ 197,265</b>

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## CITY OF JACKSON, MICHIGAN

### Internal Service Funds

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.

*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 charges to various City funds.

*Healthcare Insurance Deductible Fund* - This fund is used to record the activity of the City's healthcare insurance deductible.

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

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

*Local Site Remediation Revolving Fund* - This Fund is used to record the receipt and disbursement of money available under Section 13(5) of the Brownfield Redevelopment Financing Act (Act 381 of 1996) and may also consist of money appropriated or otherwise made available from public or private sources.

CITY OF JACKSON, MICHIGAN

Combining Statement of Net Assets

Internal Service Funds  
June 30, 2012

	Workers' Compensation	Motor Pool and Garage	Prescription Drug	Healthcare Insurance Deductible	Public Works Administration
<b>Assets</b>					
Current assets:					
Pooled cash and investments	\$ 548,355	\$ 924,770	\$ -	\$ 241,490	\$ 385,385
Accounts receivable	1,401	1,880	-	19,055	124,344
Interfund receivable	-	-	-	45,202	-
Restricted cash -					
Cash on hand with agents	46,000	-	169,646	-	-
Total current assets	<u>595,756</u>	<u>926,650</u>	<u>169,646</u>	<u>305,747</u>	<u>509,729</u>
Noncurrent assets:					
Long-term advances	1,053,906	-	-	-	-
Capital assets being depreciated, net	-	881,849	-	-	-
Total noncurrent assets	<u>1,053,906</u>	<u>881,849</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,649,662</u>	<u>1,808,499</u>	<u>169,646</u>	<u>305,747</u>	<u>509,729</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	19,023	35,819	60,078	12,658	15,669
Accrued payroll	-	6,043	-	-	6,624
Interfund payable	-	-	45,202	-	-
Current portion of estimated claims payable	256,659	-	-	-	-
Total current liabilities	<u>275,682</u>	<u>41,862</u>	<u>105,280</u>	<u>12,658</u>	<u>22,293</u>
Noncurrent liabilities:					
Long-term advance, net	-	95,973	-	-	-
Estimated claims payable	256,659	-	-	-	-
Total noncurrent liabilities	<u>256,659</u>	<u>95,973</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>532,341</u>	<u>137,835</u>	<u>105,280</u>	<u>12,658</u>	<u>22,293</u>
<b>Net assets</b>					
Investment in capital assets	-	881,849	-	-	-
Unrestricted	1,117,321	788,815	64,366	293,089	487,436
Total net assets	<u>\$ 1,117,321</u>	<u>\$ 1,670,664</u>	<u>\$ 64,366</u>	<u>\$ 293,089</u>	<u>\$ 487,436</u>

Engineering Administration	Local Site Remediation Revolving	Totals
\$ 40,944	\$ 674,943	\$ 2,815,887
2,235	-	148,915
-	-	45,202
-	-	215,646
<u>43,179</u>	<u>674,943</u>	<u>3,225,650</u>
-	-	1,053,906
-	-	881,849
-	-	1,935,755
<u>43,179</u>	<u>674,943</u>	<u>5,161,405</u>
1,055	102,773	247,075
4,389	-	17,056
-	-	45,202
-	-	256,659
<u>5,444</u>	<u>102,773</u>	<u>565,992</u>
-	-	95,973
-	-	256,659
-	-	352,632
<u>5,444</u>	<u>102,773</u>	<u>918,624</u>
-	-	881,849
<u>37,735</u>	<u>572,170</u>	<u>3,360,932</u>
<u>\$ 37,735</u>	<u>\$ 572,170</u>	<u>\$ 4,242,781</u>

CITY OF JACKSON, MICHIGAN

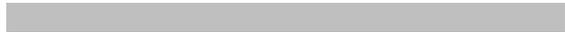
**Combining Statement of Revenues, Expenses**

and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended June 30, 2012

	Workers' Compensation	Motor Pool and Garage	Prescription Drug	Healthcare Insurance Deductible	Public Works Administration
<b>Operating revenues</b>					
Charges for services	\$ 207,728	\$ 220,856	\$ 857,799	\$ 282,036	\$ 631,207
Miscellaneous	46,099	1,085,339	40,204	-	-
<b>Total operating revenues</b>	<b>253,827</b>	<b>1,306,195</b>	<b>898,003</b>	<b>282,036</b>	<b>631,207</b>
<b>Operating expenses</b>					
Personal services	-	506,146	-	-	410,735
Administration	-	-	-	-	54,430
Materials and supplies	-	443,507	-	-	-
Contractual and other services	6,392	108,824	862,852	356,502	-
Benefit payments:					
Claims	136,299	-	-	-	-
Fees and reinsurance	43,538	-	-	-	-
Depreciation	-	296,047	-	-	-
<b>Total operating expenses</b>	<b>186,229</b>	<b>1,354,524</b>	<b>862,852</b>	<b>356,502</b>	<b>465,165</b>
<b>Operating income (loss)</b>	<b>67,598</b>	<b>(48,329)</b>	<b>35,151</b>	<b>(74,466)</b>	<b>166,042</b>
<b>Nonoperating revenues</b>					
Investment income	35,981	4,661	10	1,958	16,346
<b>Change in net assets</b>	<b>103,579</b>	<b>(43,668)</b>	<b>35,161</b>	<b>(72,508)</b>	<b>182,388</b>
<b>Net assets, beginning of year</b>	<b>1,013,742</b>	<b>1,714,332</b>	<b>29,205</b>	<b>365,597</b>	<b>305,048</b>
<b>Net assets, end of year</b>	<b>\$ 1,117,321</b>	<b>\$ 1,670,664</b>	<b>\$ 64,366</b>	<b>\$ 293,089</b>	<b>\$ 487,436</b>



Engineering Administration	Local Site Remediation Revolving	Totals
\$ 324,438	\$ 76,854	\$ 2,600,918
-	-	1,171,642
<u>324,438</u>	<u>76,854</u>	<u>3,772,560</u>
311,534	-	1,228,415
70,498	222,638	347,566
-	-	443,507
-	-	1,334,570
-	-	136,299
-	-	43,538
-	-	296,047
<u>382,032</u>	<u>222,638</u>	<u>3,829,942</u>
(57,594)	(145,784)	(57,382)
<u>286</u>	<u>3,242</u>	<u>62,484</u>
(57,308)	(142,542)	5,102
<u>95,043</u>	<u>714,712</u>	<u>4,237,679</u>
<u>\$ 37,735</u>	<u>\$ 572,170</u>	<u>\$ 4,242,781</u>

CITY OF JACKSON, MICHIGAN

**Combining Statement of Cash Flows**

Internal Service Funds

For the Fiscal Year Ended June 30, 2012

	Workers' Compensation	Motor Pool and Garage	Prescription Drug	Healthcare Insurance Deductible	Public Works Administration
<b>Cash flows from operating activities</b>					
Payments to employees	\$ -	\$ (515,948)	\$ -	\$ -	\$ (419,733)
Payments to vendors and claimants	(169,818)	(554,546)	(877,633)	(366,958)	(51,313)
Receipts for interfund services provided	253,827	1,304,315	877,623	302,416	652,158
<b>Net cash provided by (used in) operating activities</b>	<b>84,009</b>	<b>233,821</b>	<b>(10)</b>	<b>(64,542)</b>	<b>181,112</b>
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	-	(147,182)	-	-	-
Interfund advances	(83,878)	(40,128)	-	-	-
<b>Net cash used in capital and related financing activities</b>	<b>(83,878)</b>	<b>(187,310)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Interest received on investments	35,981	4,661	10	1,958	16,346
<b>Net change in cash and cash equivalents</b>	<b>36,112</b>	<b>51,172</b>	<b>-</b>	<b>(62,584)</b>	<b>197,458</b>
Cash and cash equivalents, beginning of year	558,243	873,598	169,646	304,074	187,927
Cash and cash equivalents, end of year	\$ 594,355	\$ 924,770	\$ 169,646	\$ 241,490	\$ 385,385
<b>Statement of net assets classification of cash</b>					
Cash and cash equivalents	\$ 548,355	\$ 924,770	\$ -	\$ 241,490	\$ 385,385
Restricted cash and cash equivalents	46,000	-	169,646	-	-
	\$ 594,355	\$ 924,770	\$ 169,646	\$ 241,490	\$ 385,385
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 67,598	\$ (48,329)	\$ 35,151	\$ (74,466)	\$ 166,042
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	296,047	-	-	-
Change in:					
Accounts receivable	-	(1,880)	-	-	20,951
Interfund receivable	-	-	-	20,380	-
Accounts payable	16,411	(2,215)	(14,781)	(10,456)	3,117
Accrued payroll	-	(9,802)	-	-	(8,998)
Interfund payable	-	-	(20,380)	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>84,009</b>	<b>233,821</b>	<b>(10)</b>	<b>(64,542)</b>	<b>181,112</b>

Engineering Administration	Local Site Remediation Revolving	Totals
\$ (314,077)	\$ -	\$ (1,249,758)
(70,217)	(119,865)	(2,210,350)
<u>322,802</u>	<u>76,854</u>	<u>3,789,995</u>
<u>(61,492)</u>	<u>(43,011)</u>	<u>329,887</u>
-	-	(147,182)
<u>-</u>	<u>-</u>	<u>(124,006)</u>
-	-	(271,188)
<u>286</u>	<u>3,242</u>	<u>62,484</u>
(61,206)	(39,769)	121,183
<u>102,150</u>	<u>714,712</u>	<u>2,910,350</u>
<u>\$ 40,944</u>	<u>\$ 674,943</u>	<u>\$ 3,031,533</u>
\$ 40,944	\$ 674,943	\$ 2,815,887
-	-	215,646
<u>\$ 40,944</u>	<u>\$ 674,943</u>	<u>\$ 3,031,533</u>
\$ (57,594)	\$ (145,784)	\$ (57,382)
-	-	296,047
(1,636)	-	17,435
-	-	20,380
281	102,773	95,130
(2,543)	-	(21,343)
<u>-</u>	<u>-</u>	<u>(20,380)</u>
<u>\$ (61,492)</u>	<u>\$ (43,011)</u>	<u>\$ 329,887</u>

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## CITY OF JACKSON, MICHIGAN

### Agency Funds

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.

*Payroll Clearing Fund* - 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.

*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.

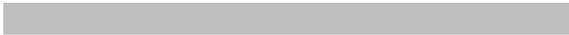
*Cafeteria Reimbursement Fund* - This fund is used to account for employee cafeteria reimbursements.

# CITY OF JACKSON, MICHIGAN

## Combing Balance Sheet

Agency Funds  
June 30, 2012

	Payroll Clearing	Jeopardy Tax	County and School Tax Collection	Employee Bond Savings	Community Development Block Grant Escrow
<b>Assets</b>					
Pooled cash and investments	\$ 94,240	\$ 2,409	\$ 8,781	\$ -	\$ 2,027
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,027
Due to other governments	-	2,409	8,781	-	-
Other liabilities	94,240	-	-	-	-
<b>Total liabilities</b>	<b>\$ 94,240</b>	<b>\$ 2,409</b>	<b>\$ 8,781</b>	<b>\$ -</b>	<b>\$ 2,027</b>



Act 495 Fire Trust Fund	Cafeteria Reimbursement	Total
<u>\$ 40,509</u>	<u>\$ 40,494</u>	<u>\$ 188,460</u>
\$ -	\$ -	\$ 2,027
-	-	11,190
<u>40,509</u>	<u>40,494</u>	<u>175,243</u>
<u>\$ 40,509</u>	<u>\$ 40,494</u>	<u>\$ 188,460</u>

CITY OF JACKSON, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<i>Payroll Clearing Account</i>				
<b>Assets</b>				
Pooled cash and investments	\$ 68,893	\$ 12,757,482	\$ 12,732,135	\$ 94,240
<b>Liabilities</b>				
Other liabilities	\$ 68,893	\$ 12,757,482	\$ 12,732,135	\$ 94,240
<i>Jeopardy Tax Fund</i>				
<b>Assets</b>				
Pooled cash and investments	\$ 2,409	\$ -	\$ -	\$ 2,409
<b>Liabilities</b>				
Due to other governmental units	\$ 2,409	\$ -	\$ -	\$ 2,409
<i>County &amp; School Tax Collection Fund</i>				
<b>Assets</b>				
Pooled cash and investments	\$ 29,372	\$ 28,236,204	\$ 28,256,795	\$ 8,781
Taxes receivable - real	-	27,655,104	27,655,104	-
<b>Total assets</b>	<b>\$ 29,372</b>	<b>\$ 55,891,308</b>	<b>\$ 55,911,899</b>	<b>\$ 8,781</b>
<b>Liabilities</b>				
Due to other governmental units	\$ 29,372	\$ 8,084,885	\$ 8,105,476	\$ 8,781
Undistributed tax collections:				
Jackson County	-	3,790,096	3,790,096	-
Jackson Public Schools	-	6,968,187	6,968,187	-
Northwest Schools	-	28,587	28,587	-
Michigan Center Schools	-	43,641	43,641	-
East Jackson Schools	-	4,958	4,958	-
Jackson Intermediate School District	-	4,213,234	4,213,234	-
Jackson Community College	-	603,630	603,630	-
Jackson Transportation Authority	-	511,671	511,671	-
State of Michigan - State Education Tax	-	3,006,610	3,006,610	-
<b>Total liabilities</b>	<b>\$ 29,372</b>	<b>\$ 27,255,499</b>	<b>\$ 27,276,090</b>	<b>\$ 8,781</b>
<i>Employee Bond Savings Fund</i>				
<b>Assets</b>				
Pooled cash and investments	\$ 100	\$ 3,073	\$ 3,173	\$ -
<b>Liabilities</b>				
Employees' bond deductions payable	\$ 100	\$ 3,135	\$ 3,235	\$ -

continued...

CITY OF JACKSON, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<i>Community Development Block Grant Escrow Fund</i>				
Assets				
Pooled cash and investments	\$ 2,106	\$ 2,568	\$ 2,647	\$ 2,027
Liabilities				
Accounts payable	\$ 2,106	\$ 2,568	\$ 2,647	\$ 2,027
<i>Act 495 Fire Trust Fund</i>				
Assets				
Pooled cash and investments	\$ 20,462	\$ 35,671	\$ 15,624	\$ 40,509
Liabilities				
Insurance deposits	\$ 20,462	\$ 35,671	\$ 15,624	\$ 40,509
<i>Cafeteria Reimbursement Fund</i>				
Assets				
Pooled cash and investments	\$ 40,607	\$ 238,214	\$ 238,327	\$ 40,494
Liabilities				
Accounts payable	\$ -	\$ 113,980	\$ 113,980	\$ -
Employees' contributions	40,607	238,214	238,327	40,494
Total liabilities	\$ 40,607	\$ 352,194	\$ 352,307	\$ 40,494
<i>Total All Agency Funds</i>				
Assets				
Pooled cash and investments	\$ 163,949	\$ 42,667,759	\$ 42,643,248	\$ 188,460
Taxes receivable - real	-	32,231,554	32,231,554	-
Total assets	\$ 163,949	\$ 74,899,313	\$ 74,874,802	\$ 188,460
Liabilities				
Accounts payable	\$ 2,106	\$ 177,113	\$ 177,192	\$ 2,027
Due to other governmental units	31,781	8,084,885	8,105,476	11,190
Undistributed tax collections	-	19,170,614	19,170,614	-
Other liabilities	130,062	13,034,502	12,989,321	175,243
Total liabilities	\$ 163,949	\$ 40,467,114	\$ 40,442,603	\$ 188,460

# CITY OF JACKSON, MICHIGAN

## Balance Sheet / Statement of Net Assets

Brownfield Redevelopment Authority Component Unit

June 30, 2012

	Capital Projects		
	Brownfield Redevelopment Authority	Adjustments	Statement of Net Assets
<b>Assets</b>			
Pooled cash and investments	\$ 1,882,351	\$ -	\$ 1,882,351
<b>Liabilities</b>			
Accounts payable	\$ 50	-	50
Salaries payable	809	-	809
<b>Total liabilities</b>	859	-	859
<b>Fund balances</b>			
Unrestricted	1,881,492	(1,881,492)	-
<b>Total liabilities and fund balance</b>	\$ 1,882,351		
<b>Net assets - unrestricted</b>		\$ 1,881,492	\$ 1,881,492

# CITY OF JACKSON, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances / Statement of Activities Brownfield Redevelopment Authority Component Unit For the Fiscal Year Ended June 30, 2012

	Capital Projects		
	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
Revenues			
Property tax	\$ 1,193,210	\$ -	\$ 1,193,210
Interest revenue	11,370	-	11,370
Total revenues	1,204,580	-	1,204,580
Expenditures/Expenses			
Community enrichment	2,371,903	-	2,371,903
Revenues over (under) expenditures	(1,167,323)	1,167,323	-
Change in net assets	-	(1,167,323)	(1,167,323)
Fund balances / net assets, beginning of year	3,048,815	-	3,048,815
Fund balances / net assets, end of year	\$ 1,881,492	\$ -	\$ 1,881,492

## STATISTICAL SECTION

# CITY OF JACKSON, MICHIGAN

## Statistical Section (Unaudited)

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 government's overall financial health.

CONTENTS	<u>Page</u>
<b>Financial Trends (schedules 1 thru 5)</b>	
These schedules contain trend information to help the reader understand how the financial performance and well-being have changed over time.	150
<b>Revenue Capacity (schedules 6 thru 9)</b>	
These schedules contain information to help the reader assess the government's most local sources: property taxes and water and wastewater usage fees.	160
<b>Debt Capacity (schedules 10 thru 12)</b>	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue debt in the future.	166
<b>Demographic and Economic Information (schedules 13 and 14)</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	169
<b>Operating Information (schedules 15 thru 26)</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	171

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# CITY OF JACKSON, MICHIGAN

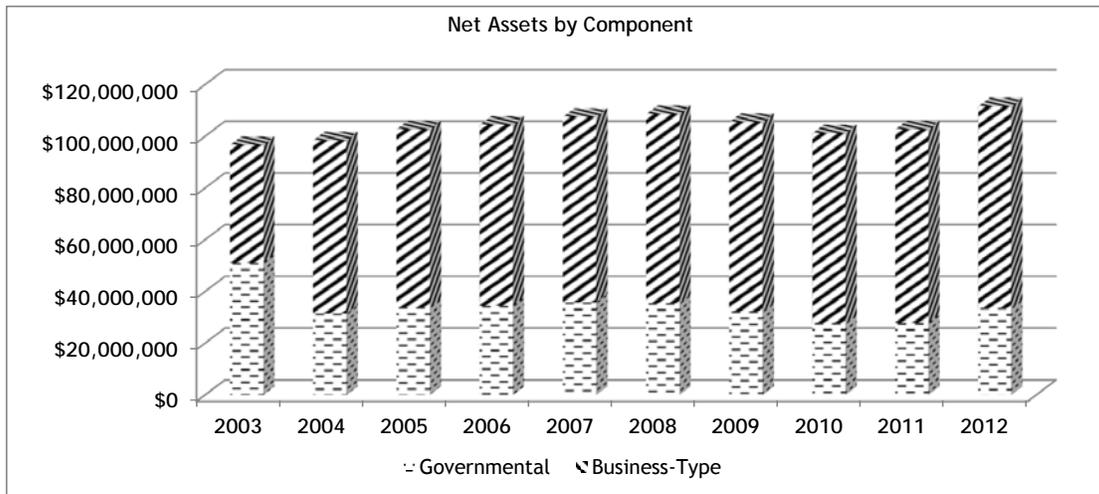
## Net Assets by Component

Last Ten Years

(accrual basis of accounting)

	2003	2004	2005	2006	2007
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 39,044,014	\$ 17,246,524	\$ 19,477,559	\$ 20,420,840	\$ 23,412,904
Restricted	6,530,504	5,785,257	7,566,923	6,220,922	5,261,929
Unrestricted (deficit)	5,579,873	8,461,304	6,890,748	7,794,846	7,158,068
<b>Total governmental activities net assets</b>	<b>\$ 51,154,391</b>	<b>\$ 31,493,085</b>	<b>\$ 33,935,230</b>	<b>\$ 34,436,608</b>	<b>\$ 35,832,901</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 32,241,403	\$ 52,374,586	\$ 52,754,671	\$ 53,240,973	\$ 53,809,620
Restricted	1,490,472	1,447,009	1,447,009	1,447,009	1,447,009
Unrestricted	11,785,040	13,143,279	14,565,296	15,288,589	16,417,163
<b>Total business-type activities net assets</b>	<b>\$ 45,516,915</b>	<b>\$ 66,964,874</b>	<b>\$ 68,766,976</b>	<b>\$ 69,976,571</b>	<b>\$ 71,673,792</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 71,285,417	\$ 69,621,110	\$ 72,232,230	\$ 73,661,813	\$ 77,222,524
Restricted	8,020,976	7,232,266	9,013,932	7,667,931	6,708,938
Unrestricted	17,364,913	21,604,583	21,456,044	23,083,435	23,575,231
<b>Total primary government net assets</b>	<b>\$ 96,671,306</b>	<b>\$ 98,457,959</b>	<b>\$ 102,702,206</b>	<b>\$ 104,413,179</b>	<b>\$ 107,506,693</b>

Source: City of Jackson Finance Department



Schedule 1  
Unaudited

2008	2009	2010	2011	2012
\$ 22,909,620	\$ 25,292,037	\$ 26,205,595	\$ 27,905,286	\$ 32,867,134
5,250,943	6,084,912	5,954,460	4,234,677	4,240,770
7,433,449	1,004,574	(4,248,423)	(4,269,622)	(3,404,899)
<u>\$ 35,594,012</u>	<u>\$ 32,381,523</u>	<u>\$ 27,911,632</u>	<u>\$ 27,870,341</u>	<u>\$ 33,703,005</u>
\$ 55,168,398	\$ 57,102,607	\$ 56,517,510	\$ 56,651,540	\$ 57,808,727
1,447,009	167,600	160,100	167,600	67,300
16,368,542	15,846,100	16,599,831	17,964,849	19,957,868
<u>\$ 72,983,949</u>	<u>\$ 73,116,307</u>	<u>\$ 73,277,441</u>	<u>\$ 74,783,989</u>	<u>\$ 77,833,895</u>
\$ 78,078,018	\$ 82,394,644	\$ 82,723,105	\$ 84,556,826	\$ 90,675,861
6,697,952	6,252,512	6,114,560	4,402,277	4,308,070
23,801,991	16,850,674	12,351,408	13,695,227	16,552,969
<u>\$ 108,577,961</u>	<u>\$ 105,497,830</u>	<u>\$ 101,189,073</u>	<u>\$ 102,654,330</u>	<u>\$ 111,536,900</u>

# CITY OF JACKSON, MICHIGAN

## Changes in Net Assets

Last Ten Years

(accrual basis of accounting)

	2003	2004	2005	2006	2007
<b>Revenue</b>					
Governmental activities:					
Program revenues:					
Charges for services	\$ 3,010,853	\$ 3,489,305	\$ 3,768,592	\$ 4,441,578	\$ 4,928,945
Operating grants and contributions	6,361,454	5,616,389	4,873,069	6,341,324	5,929,661
Capital grants and contributions	3,802,848	1,405,094	2,885,188	1,797,076	2,591,674
General revenues:					
Property taxes	6,964,585	7,754,736	9,105,344	9,584,773	11,062,066
Income taxes	6,602,493	6,984,060	7,300,012	7,249,113	7,822,180
Grants and contributions not restricted to specific programs	6,434,919	5,895,879	7,057,734	6,737,106	5,538,943
Other	522,960	359,894	344,903	614,799	626,456
<b>Total governmental activities revenues</b>	<b>33,700,112</b>	<b>31,505,357</b>	<b>35,334,842</b>	<b>36,765,769</b>	<b>38,499,925</b>
Business-type activities:					
Program revenues:					
Charges for services	10,871,202	10,828,680	11,297,270	11,258,598	12,004,796
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	1,253,130	-	-	-
General revenues:					
Grants and contributions not restricted to specific programs	281,068	299,455	451,473	240,999	268,077
Other	209,785	141,311	249,120	500,427	703,383
<b>Total business-type activities revenues</b>	<b>11,362,055</b>	<b>12,522,576</b>	<b>11,997,863</b>	<b>12,000,024</b>	<b>12,976,256</b>
<b>Total primary government revenues</b>	<b>45,062,167</b>	<b>44,027,933</b>	<b>47,332,705</b>	<b>48,765,793</b>	<b>51,476,181</b>
<b>Expenses</b>					
Governmental activities:					
Legislative	76,713	76,344	70,428	79,904	79,944
General government	4,365,163	4,213,894	4,162,208	4,750,801	5,227,643
Public safety	13,722,166	14,135,744	15,211,748	16,110,222	16,865,859
Public works	4,582,298	5,793,948	5,602,686	6,391,700	6,112,674
Culture and recreation	3,284,568	2,267,890	2,638,497	2,766,612	2,746,767
Community enrichment & development	3,414,818	5,133,149	2,977,181	4,031,540	3,951,962
Interest on long-term debt	1,676,873	1,916,025	2,125,358	2,025,886	1,995,657
<b>Total governmental activities expenses</b>	<b>31,122,599</b>	<b>33,536,994</b>	<b>32,788,106</b>	<b>36,156,665</b>	<b>36,980,506</b>
Business-type activities:					
Sewer	4,637,525	4,334,517	4,545,475	4,790,277	5,257,605
Water	5,339,940	5,130,173	5,048,903	5,437,488	5,448,272
Stormwater utilities	-	-	-	-	-
Parking system	225,109	589,578	638,752	597,889	627,579
Golf practice center	74,292	80,487	67,222	72,501	68,705
<b>Total business-type activities expenses</b>	<b>10,276,866</b>	<b>10,134,755</b>	<b>10,300,352</b>	<b>10,898,155</b>	<b>11,402,161</b>
<b>Total primary government expenses</b>	<b>41,399,465</b>	<b>43,671,749</b>	<b>43,088,458</b>	<b>47,054,820</b>	<b>48,382,667</b>
<b>Change in net assets</b>	<b>3,662,702</b>	<b>356,184</b>	<b>4,244,247</b>	<b>1,710,973</b>	<b>3,093,514</b>
Net assets, beginning of year, as restated	93,008,603	96,671,305	98,457,959	102,702,206	104,413,179
Other restatements at June 30	-	1,430,470	-	-	-
<b>Net assets, end of year</b>	<b>\$ 96,671,305</b>	<b>\$ 98,457,959</b>	<b>\$ 102,702,206</b>	<b>\$ 104,413,179</b>	<b>\$ 107,506,693</b>

Source: City of Jackson Finance Department

Schedule 2  
Unaudited

2008	2009	2010	2011	2012
\$ 4,576,960	\$ 4,545,223	\$ 4,729,249	\$ 4,996,781	\$ 4,598,435
5,954,457	5,964,746	7,238,196	6,800,210	5,979,625
1,119,751	1,444,563	2,130,328	2,363,474	5,321,414
10,710,438	10,488,646	10,305,545	9,826,762	9,708,980
7,946,837	7,645,706	6,519,574	6,977,923	7,297,281
5,390,450	5,730,532	4,785,181	4,750,419	4,061,333
613,778	210,499	36,974	99,733	100,188
<u>36,312,671</u>	<u>36,029,915</u>	<u>35,745,047</u>	<u>35,815,302</u>	<u>37,067,256</u>
11,987,813	11,741,153	10,969,737	12,738,380	15,905,133
-	-	17,165	-	-
-	-	-	-	-
527,454	225,628	285,961	292,290	245,514
781,190	446,863	221,234	101,871	93,619
<u>13,296,457</u>	<u>12,413,644</u>	<u>11,494,097</u>	<u>13,132,541</u>	<u>16,244,266</u>
<u>49,609,128</u>	<u>48,443,559</u>	<u>47,239,144</u>	<u>48,947,843</u>	<u>53,311,522</u>
100,856	84,987	81,455	78,998	78,779
5,106,778	5,590,322	5,193,157	4,672,731	4,224,454
16,474,297	18,514,730	18,480,322	16,182,495	14,157,903
6,363,857	6,982,096	6,815,307	6,604,418	5,509,209
2,484,262	2,823,240	3,074,451	2,891,768	2,764,356
3,836,177	4,276,212	4,808,286	3,764,313	3,140,708
1,767,307	1,823,284	1,761,960	1,634,370	1,280,723
<u>36,133,534</u>	<u>40,094,871</u>	<u>40,214,938</u>	<u>35,829,093</u>	<u>31,156,132</u>
5,405,194	5,186,279	5,221,872	5,165,228	5,808,940
5,896,097	6,315,543	5,360,557	5,718,144	5,923,975
-	-	-	88,861	845,506
743,253	708,936	688,921	623,946	632,315
71,092	70,528	61,613	57,314	62,084
<u>12,115,636</u>	<u>12,281,286</u>	<u>11,332,963</u>	<u>11,653,493</u>	<u>13,272,820</u>
<u>48,249,170</u>	<u>52,376,157</u>	<u>51,547,901</u>	<u>47,482,586</u>	<u>44,428,952</u>
1,359,958	(3,932,598)	(4,308,757)	1,465,257	8,882,570
107,506,693	108,577,961	105,497,830	101,189,073	102,654,330
(288,690)	852,467	-	-	-
<u>\$ 108,577,961</u>	<u>\$ 105,497,830</u>	<u>\$ 101,189,073</u>	<u>\$ 102,654,330</u>	<u>\$ 111,536,900</u>

# CITY OF JACKSON, MICHIGAN

## Fund Balances - Governmental Funds

Last Ten Years

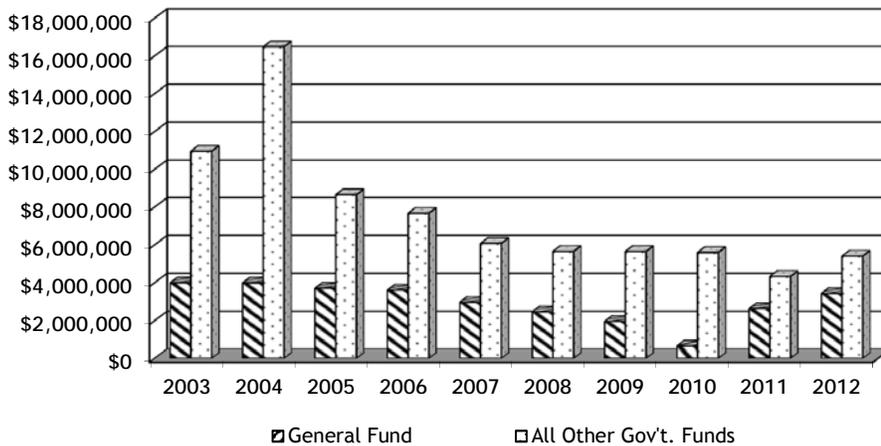
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007
General fund					
Nonspendable					
Unassigned					
Reserved	\$ 135,874	\$ 989,309	\$ 576,699	\$ 1,007,649	\$ 311,967
Unreserved	3,854,814	2,998,657	3,129,904	2,596,377	2,656,966
<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>\$ 2,968,933</b>
All other governmental funds					
Nonspendable					
Restricted					
Committed					
Unassigned (deficit)					
Reserved	\$ 3,926,763	\$ 3,101,874	\$ 3,134,439	\$ 2,890,964	\$ 2,989,343
Unreserved, reported in:					
Special revenue funds	1,583,168	2,262,510	3,619,163	4,015,537	2,810,082
Debt service funds	1,258,212	1,474,422	30,986	35,044	43,361
Capital projects funds	4,187,765	9,604,507	1,860,542	731,542	230,953
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>	<b>6,073,739</b>
<b>Total governmental funds</b>	<b>\$ 14,946,596</b>	<b>\$ 20,470,649</b>	<b>\$ 12,360,431</b>	<b>\$ 11,277,113</b>	<b>\$ 9,042,672</b>

(A) The City of Jackson implemented GASB Statement No. 54 as of and for the year ended June 30, 2011. Fund balance component classifications are shown as reported under that new criteria as of that date.

Source: City of Jackson Finance Department

Fund Balances - Governmental Funds



Schedule 3  
Unaudited

2008	2009	2010	2011	2012
			\$ 469,317	\$ 54,655
			2,160,928	3,372,517
\$ 379,213	\$ 249,169	\$ 76,177	-	-
2,078,521	1,707,278	581,788	-	-
<u>\$ 2,457,734</u>	<u>\$ 1,956,447</u>	<u>\$ 657,965</u>	<u>\$ 2,630,245</u>	<u>\$ 3,427,172</u>
			\$ 3,092,357	\$ 3,169,686
			2,005,904	2,871,925
			127,472	321,791
			(895,314)	(958,023)
\$ 3,116,497	\$ 3,259,351	\$ 3,518,347	-	-
2,498,687	2,492,904	2,485,481	-	-
54,908	42,961	13,714	-	-
(17,189)	(146,010)	(420,308)	-	-
-	-	-	-	-
<u>5,652,903</u>	<u>5,649,206</u>	<u>5,597,234</u>	<u>4,330,419</u>	<u>5,405,379</u>
<u>\$ 8,110,637</u>	<u>\$ 7,605,653</u>	<u>\$ 6,255,199</u>	<u>\$ 6,960,664</u>	<u>\$ 8,832,551</u>

CITY OF JACKSON, MICHIGAN

**Changes in Fund Balances - Governmental Funds**

Last Ten Years

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007
<b>Revenues</b>					
Taxes	\$ 13,466,902	\$ 14,879,726	\$ 16,325,697	\$ 16,806,838	\$ 18,716,042
Licenses and permits	218,273	216,538	254,973	231,377	231,486
Intergovernmental	14,305,787	11,534,408	12,845,112	12,846,052	13,180,443
Charges for services	2,882,738	2,875,007	2,832,829	3,853,103	4,051,135
Fines and forfeits	250,233	264,746	258,178	212,690	203,086
Special assessments	266,702	478,716	249,531	378,339	306,739
Investment income	606,189	253,453	311,614	457,942	697,179
Miscellaneous	1,475,169	1,454,100	2,135,528	1,843,723	571,129
<b>Total revenues</b>	<b>33,471,993</b>	<b>31,956,694</b>	<b>35,213,462</b>	<b>36,630,064</b>	<b>37,957,239</b>
<b>Expenditures</b>					
Legislative	76,713	76,344	70,428	79,904	79,944
General government	4,432,218	4,366,698	4,481,144	4,460,003	4,814,896
Public safety	13,816,626	14,282,280	15,252,256	16,555,647	17,460,830
Public works	9,323,432	6,179,742	7,860,861	6,528,508	8,480,193
Culture and recreation	2,555,559	2,463,750	2,432,741	2,592,558	2,727,397
Community enrichment and development	16,208,105	2,644,390	1,816,545	2,873,782	2,581,143
Capital outlay	947,770	4,048,998	8,094,359	1,456,073	731,251
Debt service:					
Principal	674,884	903,679	1,039,000	1,064,000	1,219,000
Interest & fiscal charges	1,781,623	1,659,899	2,243,834	2,021,976	1,994,884
Other	-	-	-	-	-
<b>Total expenditures</b>	<b>49,816,930</b>	<b>36,625,780</b>	<b>43,291,168</b>	<b>37,632,451</b>	<b>40,089,538</b>
Excess of revenues over (under) expenditures	(16,344,937)	(4,669,086)	(8,077,706)	(1,002,387)	(2,132,299)
<b>Other financing sources (uses)</b>					
Proceeds from the sale of capital assets	172,092	84,105	72,079	26,795	20,984
Proceeds from the issuance of debt	1,750,000	10,370,000	-	-	-
Discount on bonds	-	(155,531)	-	-	-
Premium on bonds	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Transfers in	3,374,678	4,628,187	4,399,406	2,158,544	2,969,637
Transfers (out)	(3,491,773)	(4,733,622)	(4,503,997)	(2,266,270)	(3,092,763)
<b>Total other financing sources (uses)</b>	<b>1,804,997</b>	<b>10,193,139</b>	<b>(32,512)</b>	<b>(80,931)</b>	<b>(102,142)</b>
<b>Net change in fund balances</b>	<b>\$ (14,539,940)</b>	<b>\$ 5,524,053</b>	<b>\$ (8,110,218)</b>	<b>\$ (1,083,318)</b>	<b>\$ (2,234,441)</b>
Debt service as a percentage of noncapital expenditures	8.3%	8.1%	10.5%	9.2%	9.2%

Source: City of Jackson Finance Department

Schedule 4  
Unaudited

2008	2009	2010	2011	2012
\$ 18,589,716	\$ 18,249,873	\$ 16,936,953	\$ 16,753,417	\$ 16,885,935
228,671	247,399	250,602	270,214	262,775
11,274,670	11,885,926	12,316,023	12,727,160	15,414,169
3,848,682	3,870,877	3,913,947	3,898,388	3,806,252
221,869	224,967	261,677	224,881	199,216
467,981	384,602	278,701	254,958	223,209
767,926	406,345	218,023	127,759	134,927
785,300	998,231	1,222,574	1,518,901	608,713
<u>36,184,815</u>	<u>36,268,220</u>	<u>35,398,500</u>	<u>35,775,678</u>	<u>37,535,196</u>
100,856	84,987	81,455	78,998	78,779
4,687,386	4,778,604	4,440,441	4,156,263	4,111,378
16,945,032	17,398,422	16,770,309	15,553,034	13,936,985
5,954,413	5,974,822	6,435,712	6,088,484	8,704,847
2,668,948	2,758,877	2,503,995	2,839,995	2,686,777
2,589,998	2,543,682	2,856,698	2,614,118	1,998,043
506,321	625,907	162,571	210,309	547,300
1,479,000	1,604,000	1,699,000	1,832,000	915,000
1,773,561	1,789,183	1,735,313	1,669,512	1,255,740
215,913	-	-	-	471,371
<u>36,921,428</u>	<u>37,558,484</u>	<u>36,685,494</u>	<u>35,042,713</u>	<u>34,706,220</u>
<u>(736,613)</u>	<u>(1,290,264)</u>	<u>(1,286,994)</u>	<u>732,965</u>	<u>2,828,976</u>
11,452	22,538	18,842	-	-
9,905,000	-	-	-	13,025,000
(94,062)	-	-	-	(69,591)
-	-	-	-	141,288
(9,599,786)	-	-	-	(13,975,326)
2,635,156	3,552,312	3,232,670	3,207,550	2,384,867
(2,764,492)	(3,642,036)	(3,314,972)	(3,235,050)	(2,463,327)
<u>93,268</u>	<u>(67,186)</u>	<u>(63,460)</u>	<u>(27,500)</u>	<u>(957,089)</u>
<u>\$ (643,345)</u>	<u>\$ (1,357,450)</u>	<u>\$ (1,350,454)</u>	<u>\$ 705,465</u>	<u>\$ 1,871,887</u>
<u>9.4%</u>	<u>9.7%</u>	<u>10.2%</u>	<u>11.1%</u>	<u>7.8%</u>

## CITY OF JACKSON, MICHIGAN

### Changes in Fund Balances - General Fund

Last Ten Years

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007
<b>Revenues</b>					
Taxes	\$ 12,224,021	\$ 13,007,511	\$ 13,843,364	\$ 14,276,643	\$ 16,016,387
Licenses and permits	218,273	216,538	254,973	231,377	231,486
Intergovernmental	6,032,594	5,769,574	5,581,910	5,925,153	5,572,841
Charges for services	1,425,226	1,441,380	1,338,854	1,170,927	1,306,639
Fines and forfeits	250,233	264,746	258,178	212,690	203,086
Investment income	90,810	73,972	105,190	267,083	288,413
Miscellaneous	150,201	402,960	1,392,079	1,404,473	130,031
<b>Total revenues</b>	<b>20,391,358</b>	<b>21,176,681</b>	<b>22,774,548</b>	<b>23,488,346</b>	<b>23,748,883</b>
<b>Expenditures</b>					
Legislative	76,713	76,344	70,428	79,904	79,944
General government	4,432,218	4,366,698	4,481,144	4,460,003	4,814,896
Public safety	12,658,451	13,207,314	14,010,760	15,229,963	16,292,286
Public works	1,592,589	1,690,189	1,414,892	1,728,580	1,498,532
Culture and recreation	1,588,412	1,547,153	1,508,574	1,385,593	1,465,900
Community enrichment and development	314,437	254,780	190,797	204,811	202,150
<b>Total expenditures</b>	<b>20,662,820</b>	<b>21,142,478</b>	<b>21,676,595</b>	<b>23,088,854</b>	<b>24,353,708</b>
Excess of revenues over (under) expenditures	(271,462)	34,203	1,097,953	399,492	(604,825)
<b>Other financing sources (uses)</b>					
Proceeds from the sale of capital assets	131,309	10,624	17,809	13,379	20,984
Transfers in	214,393	271,834	206,969	270,667	274,603
Transfers (out)	(269,144)	(319,383)	(1,604,094)	(786,115)	(325,855)
<b>Total other financing sources (uses)</b>	<b>76,558</b>	<b>(36,925)</b>	<b>(1,379,316)</b>	<b>(502,069)</b>	<b>(30,268)</b>
<b>Net change in fund balances</b>	<b>\$ (194,904)</b>	<b>\$ (2,722)</b>	<b>\$ (281,363)</b>	<b>\$ (102,577)</b>	<b>\$ (635,093)</b>

Source: City of Jackson Finance Department

Schedule 5  
Unaudited

2008	2009	2010	2011	2012
\$ 15,794,628	\$ 15,415,825	\$ 14,201,465	\$ 13,994,106	\$ 14,140,266
228,671	247,399	250,602	270,214	262,775
5,204,759	5,474,154	4,579,549	4,835,891	3,964,157
1,305,095	1,299,376	1,282,471	1,202,033	1,222,262
221,869	224,967	261,677	224,881	199,216
307,193	101,926	23,086	28,179	17,945
151,284	370,730	544,266	730,797	292,346
<u>23,213,499</u>	<u>23,134,377</u>	<u>21,143,116</u>	<u>21,286,101</u>	<u>20,098,967</u>
100,856	84,987	81,455	78,998	78,779
4,687,386	4,778,604	4,440,441	4,156,263	4,111,378
15,745,929	16,165,588	15,143,445	14,037,609	12,399,958
1,498,147	1,513,350	1,165,539	659,843	645,059
1,466,462	1,549,225	1,379,570	1,725,123	1,530,163
198,589	259,488	182,875	189,356	163,125
<u>23,697,369</u>	<u>24,351,242</u>	<u>22,393,325</u>	<u>20,847,192</u>	<u>18,928,462</u>
<u>(483,870)</u>	<u>(1,216,865)</u>	<u>(1,250,209)</u>	<u>438,909</u>	<u>1,170,505</u>
11,452	9,979	18,367	-	-
319,680	152,291	72,260	95,662	72,422
<u>(358,461)</u>	<u>(299,158)</u>	<u>(138,900)</u>	<u>(167,500)</u>	<u>(446,000)</u>
<u>(27,329)</u>	<u>(136,888)</u>	<u>(48,273)</u>	<u>(71,838)</u>	<u>(373,578)</u>
<u>\$ (511,199)</u>	<u>\$ (1,353,753)</u>	<u>\$ (1,298,482)</u>	<u>\$ 367,071</u>	<u>\$ 796,927</u>

**Assessed and Estimated Actual Value of Taxable Property Last Ten Years**

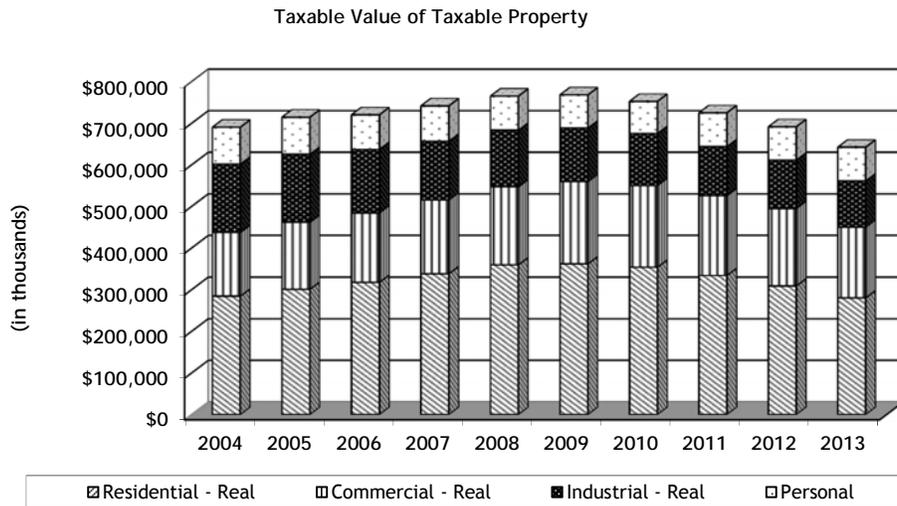
Fiscal Year (2)	Taxable Value by Property Type					Estimated Actual Value	Total Direct Tax Rate
	Real Property			Personal Property	Total		
	Residential	Commercial	Industrial				
2004	\$ 284,524,409	\$ 152,816,754	\$ 164,588,844	\$ 88,568,100	\$ 690,498,107	\$ 1,729,387,500	12.7889
2005	300,907,086	160,941,977	163,869,480	88,893,584	714,612,127	1,778,918,900	13.8789
2006	317,563,595	166,790,535	152,988,176	83,013,769	720,356,075	1,799,017,900	13.5089
2007	338,302,320	177,317,171	141,221,356	85,010,000	741,850,847	1,851,317,400	14.5789
2008	359,719,432	187,419,444	136,593,395	81,563,700	765,295,971	1,891,532,700	14.6789
2009	361,956,829	197,794,933	129,149,728	79,361,400	768,262,890	1,842,335,000	14.5889
2010	353,941,043	196,333,654	125,399,758	76,961,000	752,635,455	1,698,488,700	14.8089
2011	333,963,240	191,882,575	118,178,126	81,180,897	725,204,838	1,696,488,700	14.3589
2012	308,857,852	186,076,317	116,724,423	80,010,400	691,668,992	1,466,403,330	14.8389
2013	280,275,052	170,027,779	111,159,314	80,966,400	642,428,545	1,323,376,200	15.1389

(1) Ad Valorem assessments only; amounts do not include Act 189, NEZ, OPRA, Land Bank or other abated properties. The term "taxable value" rather than "assessed value" is used in determining tax liability effective 7/1/94.

(2) The July 1, 2012 levy is for fiscal year 2013.

(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: Michigan Department of Treasury Form L-4022



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CITY OF JACKSON, MICHIGAN

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

	2003	2004	2005	2006	2007
<b>City direct rates</b>					
Operating	6.7192	6.7192	6.7192	6.7192	6.7192
Public Improvement	1.9197	1.9197	1.9197	1.9197	1.9197
City hall debt	-	0.7400	0.7500	0.7500	0.7400
Act 345 pension	4.1500	4.5000	4.1200	5.1900	5.3000
<b>Total direct rate</b>	<b>12.7889</b>	<b>13.8789</b>	<b>13.5089</b>	<b>14.5789</b>	<b>14.6789</b>
<b>Overlapping rates</b>					
<b>Jackson County:</b>					
Operating	5.2022	5.1709	5.1471	5.1259	5.1187
Jail debt	0.4932	0.4902	0.4879	0.4858	0.4851
Medical care facility	0.1422	0.1413	0.1406	0.1400	0.1398
Senior services	-	0.2500	0.2488	0.2477	0.2473
District library	0.8736	0.8682	0.8642	0.8606	0.8593
	<b>6.7112</b>	<b>6.9206</b>	<b>6.8886</b>	<b>6.8600</b>	<b>6.8502</b>
<b>Intermediate School District:</b>					
Operating	0.3477	0.3455	0.3439	0.3429	0.3422
Special & vocational education	7.8730	7.8249	7.7895	7.7682	7.7541
	<b>8.2207</b>	<b>8.1704</b>	<b>8.1334</b>	<b>8.1111</b>	<b>8.0963</b>
<b>Jackson Community College:</b>	<b>1.1638</b>	<b>1.1565</b>	<b>1.1511</b>	<b>1.1463</b>	<b>1.1446</b>
<b>Jackson Transit Authority - operating</b>	<b>0.9597</b>	<b>0.9597</b>	<b>0.9597</b>	<b>0.9597</b>	<b>0.9597</b>
<b>Downtown Dev. Authority - operating</b>	<b>1.9996</b>	<b>1.9996</b>	<b>1.9996</b>	<b>1.9996</b>	<b>1.9996</b>
<b>Jackson Public Schools:</b>					
Operating	17.8820	17.8820	17.8820	18.0000	18.0000
State education tax (SET)	5.0000	6.0000	6.0000	6.0000	6.0000
Debt	1.9500	2.4500	2.4000	2.4000	2.2500
Recreation	-	-	0.2000	0.2000	0.2000
	<b>24.8320</b>	<b>26.3320</b>	<b>26.4820</b>	<b>26.6000</b>	<b>26.4500</b>
<b>East Jackson Public Schools:</b>					
Operating	17.1530	17.1530	18.0000	18.0000	18.0000
State education tax (SET)	5.0000	6.0000	6.0000	6.0000	6.0000
Debt	7.4000	7.0000	6.2400	6.2000	5.8800
Extra voted	0.8470	0.8470	-	-	-
	<b>30.4000</b>	<b>31.0000</b>	<b>30.2400</b>	<b>30.2000</b>	<b>29.8800</b>
<b>Michigan Center Public Schools:</b>					
Operating	17.4068	17.3318	18.0000	17.3999	17.3999
State Education Tax (SET)	5.0000	6.0000	6.0000	6.0000	6.0000
Extra Voted/Sinking Fund	3.5000	3.4604	3.4604	4.0015	4.0016
	<b>25.9068</b>	<b>26.7922</b>	<b>27.4604</b>	<b>27.4014</b>	<b>27.4015</b>
<b>Northwest Public Schools:</b>					
Operating	17.2893	17.2893	16.9487	16.9487	16.9487
State Education Tax (SET)	5.0000	6.0000	6.0000	6.0000	6.0000
Debt	-	-	-	-	-
Extra voted	0.3776	0.3003	0.1165	1.0513	1.0513
	<b>22.6669</b>	<b>23.5896</b>	<b>23.0652</b>	<b>24.0000</b>	<b>24.0000</b>

Note: Levy shown is as of July 1. The July 1, 2011 levy is for the current fiscal year ending June 30, 2012.  
 Source: City of Jackson Finance Department

Schedule 7  
Unaudited

2008	2009	2010	2011	2012
6.7192	6.7192	6.7192	6.7192	6.7192
1.9197	1.9197	1.9197	1.9197	1.9197
0.7500	0.7700	0.8700	0.9500	1.0400
5.2000	5.4000	4.8500	5.2500	5.4600
14.5889	14.8089	14.3589	14.8389	15.1389
5.1187	5.1187	5.1187	5.1187	5.1187
0.4851	0.4851	0.4851	0.4851	0.4851
0.1398	0.1398	0.1398	0.1398	0.1398
0.2473	0.2473	0.2473	0.2473	0.2500
1.2593	1.2593	1.2593	1.2593	1.2593
7.2502	7.2502	7.2502	7.2502	7.2529
0.3422	0.3422	0.3422	0.3422	0.3422
7.7678	7.7678	7.7678	7.7678	8.4178
8.1100	8.1100	8.1100	8.1100	8.7600
1.1446	1.1446	1.1446	1.1446	1.1446
1.0000	1.0000	1.0000	1.0000	1.0000
1.9996	1.9996	1.9996	1.9996	1.9996
18.0000	18.0000	18.0000	18.0000	18.0000
6.0000	6.0000	6.0000	6.0000	6.0000
2.2500	2.2500	2.8500	2.8500	3.1500
0.2000	0.2000	0.2000	0.2000	0.2000
26.4500	26.4500	27.0500	27.0500	27.3500
18.0000	18.0000	18.0000	18.0000	18.0000
6.0000	6.0000	6.0000	6.0000	6.0000
5.8400	5.9400	6.0000	6.0000	7.0000
-	-	-	-	-
29.8400	29.9400	30.0000	30.0000	31.0000
18.0000	18.0000	18.0000	18.0000	18.0000
6.0000	6.0000	6.0000	6.0000	6.0000
3.4015	-	-	-	-
27.4015	24.0000	24.0000	24.0000	24.0000
16.9487	16.9487	16.9487	16.9487	18.0000
6.0000	6.0000	6.0000	6.0000	6.0000
-	0.9173	1.0281	1.0281	1.0221
1.0513	1.0513	1.0513	1.0513	-
24.0000	24.9173	25.0281	25.0281	25.0221

**Principal Property Taxpayers**  
Current Year and Nine Years Ago  
(amounts expressed in thousands)

Taxpayer	2012			2003		
	Taxable Value	Rank	Percent of Total Taxable Value	Taxable Value	Rank	Percent of Total Taxable Value
Kinder Morgan Michigan/Alphagen (2)	\$ 87,033,000	1	13.55%	\$ 124,011,150	1	17.96%
Consumers Energy	48,970,263	2	7.62%	52,575,414	2	7.61%
Wolverine Technologies/Certainteed	9,707,900	3	1.51%	6,798,509	4	0.98%
Ramco (Jackson Crossing/Jackson West)	9,363,573	4	1.46%	7,251,215	3	1.05%
Allegiance Health/Health Center	7,254,652	5	1.13%	-	-	-
Alro Steel Corporation	5,599,959	6	0.87%	5,042,398	5	0.73%
Jackson Iron & Metal/Omnisource	4,941,068	7	0.77%	-	-	-
Aeroquip (Eaton Corp.)	3,773,216	8	0.59%	3,163,891	8	0.46%
Production Engineering/Equestor Partners	3,487,786	9	0.54%	-	-	-
Sears Roebuck & Company	3,233,368	10	0.50%	-	-	-
Edscha Jackson Automotive Group	-	-	-	4,365,007	6	0.63%
GIP M/U/M LLC	-	-	-	4,053,747	7	0.59%
Dayton Hudson (Target Store)	-	-	-	3,049,640	9	0.44%
Alpine Lake Apartments, LLC	-	-	-	2,972,231	10	0.43%
	<u>\$ 183,364,785</u>		<u>28.54%</u>	<u>\$ 213,283,202</u>		<u>30.89%</u>

(1) Total Ad Valorem Taxable Valuation as of June 30, 2011 = \$ 691,668,992 (valuation for fiscal year 2012).  
Total Ad Valorem Taxable Valuation as of June 30, 2002 = \$ 551,783,855 (valuation for fiscal year 2003).

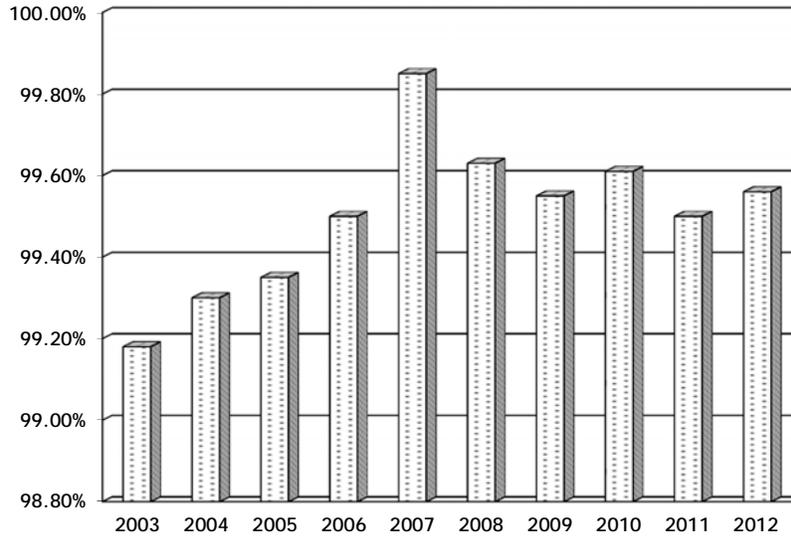
(2) Kinder Morgan Energy (KME), an electric power generation company, has the largest taxable value of \$88,708,700, or 12.83% of the 2011 ad valorem taxable value. KME is located in a Renaissance Zone and is not subject to millage levies with the exception of those levied for bonded indebtedness. The City anticipates the KME taxable value to be subject to all millage levies effective July 1, 2012.

Source: City of Jackson Assessors Department.

**Property Tax Levies and Collections**  
Last Ten Years

Fiscal Year	Year of Levy	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
2003	2002	\$ 6,699,761	\$ 6,195,766	92.48%	\$ 448,880	\$ 6,644,646	99.18%
2004	2003	7,760,751	7,239,082	93.28%	467,710	7,706,792	99.30%
2005	2004	8,042,591	7,457,299	92.72%	533,197	7,990,496	99.35%
2006	2005	8,906,874	8,247,529	92.60%	614,468	8,861,997	99.50%
2007	2006	10,074,157	9,251,721	91.84%	807,029	10,058,750	99.85%
2008	2007	10,460,635	9,674,158	92.48%	748,057	10,422,215	99.63%
2009	2008	9,808,693	8,940,028	91.14%	824,139	9,764,167	99.55%
2010	2009	9,942,692	9,006,808	90.59%	897,485	9,904,293	99.61%
2011	2010	9,037,902	8,156,819	90.25%	835,861	8,992,680	99.50%
2012	2011	8,791,409	7,924,795	90.14%	828,217	8,753,012	99.56%

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

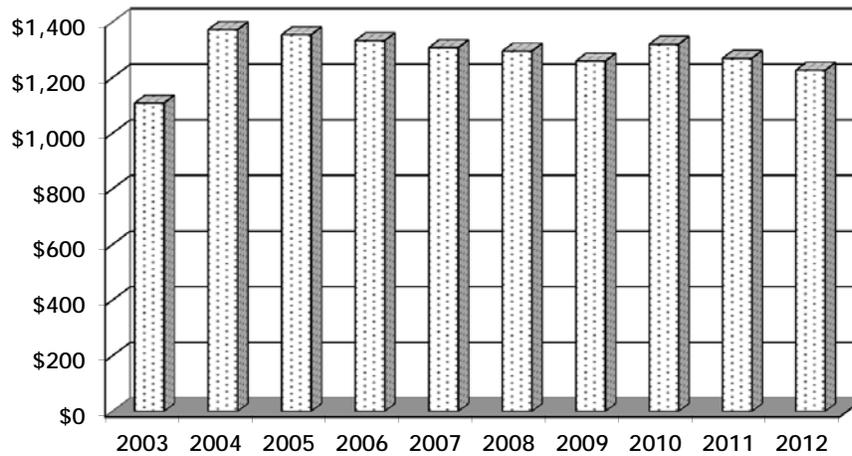


**Ratios of General Bonded Debt Outstanding**  
Last Ten Years

Fiscal Year	General Obligation Bonds	Less: Amounts Restricted to Repaying Principle	Total	% of Personal Income	% of Taxable Value of Property	Per Capita
2003	\$ 40,133,577	-	\$ 40,133,577	4.27%	7.27%	\$ 1,108.11
2004	49,688,577	-	49,688,577	5.21%	7.20%	1,371.93
2005	49,028,577	-	49,028,577	5.06%	6.86%	1,353.71
2006	48,263,577	-	48,263,577	4.88%	6.70%	1,332.59
2007	47,348,577	-	47,348,577	4.58%	6.38%	1,307.32
2008	46,898,577	-	46,898,577	4.35%	6.13%	1,294.90
2009	45,608,577	-	45,608,577	4.27%	5.94%	1,259.28
2010	44,138,577	-	44,138,577	4.33%	5.86%	1,319.74
2011	42,448,577	-	42,448,577	n/a	5.85%	1,269.21
2012	41,008,577	-	41,008,577	n/a	5.93%	1,226.15

Source: City of Jackson Finance Department & Bureau of Economic Analysis.  
Personal Income statistics not available for 2011 or 2012.

General Bonded Debt Per Capita



**Computation of Net Direct and Overlapping Debt**  
June 30, 2012

	Gross Amount Outstanding	Self-Supporting or Paid by Benefited Government	Net Amount Outstanding
<b>Direct debt</b>			
Unlimited tax general obligation debt:			
City hall bonds	\$ 8,730,000	\$ -	\$ 8,730,000
Limited tax general obligation debt:			
Downtown development authority bonds	8,898,577	8,898,577	-
2011 Downtown development authority refunding bonds	5,395,000	5,395,000	-
2007 Brownfield redevelopment authority refunding bonds	7,630,000	7,630,000	-
2012 Brownfield redevelopment authority refunding bonds	9,695,000	9,695,000	-
Building authority bonds	380,000	-	380,000
Michigan transportation fund bonds	280,000	280,000	-
Revenue Bonds:			
Water revenue bonds	273,000	273,000	-
Sewer revenue bonds	400,000	400,000	-
Other:			
Section 108 loan (HUD)	570,000	570,000	-
<b>Net direct debt</b>	<b>\$ 42,251,577</b>	<b>\$ 33,141,577</b>	<b>9,110,000</b>
	<u>Gross</u>	<u>City Share</u>	
<b>Overlapping debt</b>			
School Districts:			
Jackson School District	\$ 50,780,000	47.92%	24,333,776
East Jackson School District	12,635,000	0.09%	11,372
Northwest School District	4,935,000	0.27%	13,325
			<u>24,358,473</u>
Jackson County at large	28,820,000	13.25%	3,818,650
Jackson Community College	37,145,000	13.25%	4,921,713
Jackson County Intermediate School District	900,000	12.98%	116,820
<b>Net overlapping debt</b>			<u>33,215,656</u>
<b>Net direct and overlapping debt</b>			<u>\$ 42,325,656</u>
Per capita debt: (33,445 population)			
Gross direct debt			\$ 1,263.32
Net direct debt			272.39
Net overlapping debt			993.14
Total net direct & overlapping debt			1,265.53
Percent of taxable valuation: (\$ 642,428,545 ad valorem taxable valuation at 6/30/12)			
Net direct debt			1.42%
Net overlapping debt			5.17%
<b>Total net debt</b>			<u>6.59%</u>

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

**Legal Debt Margin**  
Last Ten Years

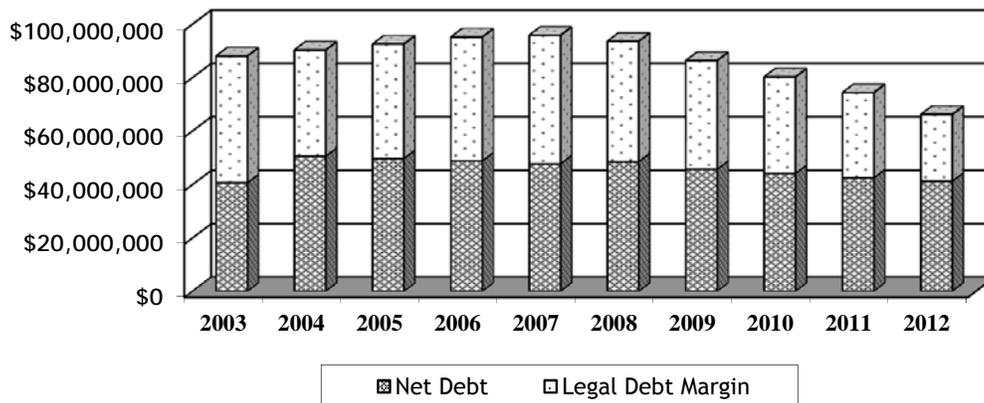
Legal debt margin calculation for 2012

State equalized value as of December 31, 2011 (for taxes levied by the City on July 1, 2012)		<u>\$ 661,688,100</u>
Debt limit (10% of state equalized value)		\$ 66,168,810
Total debt - (See Schedule 11)	\$ 42,251,577	
Less excluded debt:		
Michigan transportation fund bonds	(280,000)	
Revenue bonds	<u>(673,000)</u>	<u>41,298,577</u>
Legal debt margin		<u>\$ 24,870,233</u>

	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 Ratio
2003	\$ 88,064,883	\$ 88,064,883	\$ 40,698,577	\$ 47,366,306	46.21%
2004	90,322,370	90,322,370	50,504,577	39,817,793	55.92%
2005	92,551,455	92,551,455	49,715,577	42,835,878	53.72%
2006	95,180,701	95,180,701	48,821,577	46,359,124	51.29%
2007	95,841,305	95,841,305	47,782,577	48,058,728	49.86%
2008	93,622,301	93,622,301	48,566,077	45,056,224	51.87%
2009	86,354,230	86,354,230	45,754,577	40,599,653	52.98%
2010	80,238,220	80,238,220	44,205,577	36,032,643	55.09%
2011	74,359,325	74,359,325	42,533,577	31,825,748	57.20%
2012	66,168,810	66,168,810	41,298,577	24,870,233	62.41%

Source: City of Jackson Finance Department

Components of Debt Limit

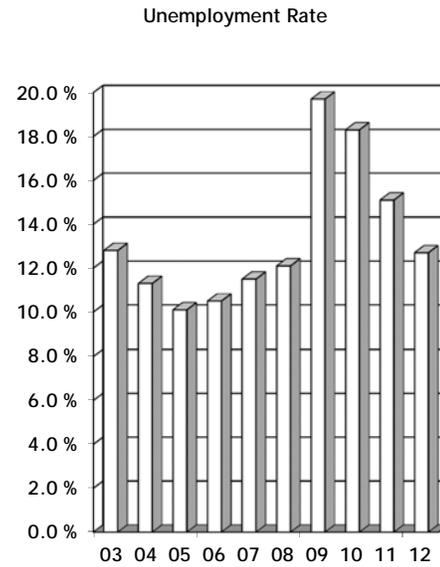
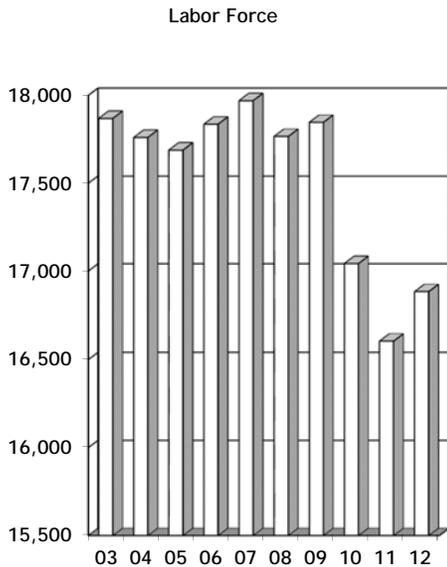


**Demographic and Economic Statistics**  
Last Ten Years

Fiscal Year	(1) Population	(2) Labor Force	(2) Employment	(2) Unemployment	(2) Unemployment Rate	(3) Total Personal Income (000's)	(3) Per Capita Income
2003	36,218	17,869	15,585	2,284	12.8%	\$ 4,221,842	\$ 26,089
2004	36,218	17,761	15,750	2,011	11.3%	4,285,596	26,493
2005	36,218	17,689	15,909	1,780	10.1%	4,379,870	26,948
2006	36,218	17,836	15,966	1,870	10.5%	4,475,638	27,495
2007	36,218	17,976	15,902	2,074	11.5%	4,644,937	28,549
2008	36,218	17,802	15,631	2,171	12.2%	4,768,000	29,647
2009	36,218	17,857	14,363	3,494	19.6%	4,713,000	29,436
2010	33,445	17,146	14,025	3,121	18.2%	4,867,000	30,378
2011	33,445	16,896	14,330	2,566	15.2%	n/a	n/a
2012	33,445	16,883	14,737	2,146	12.7%	n/a	n/a

All labor force statistics are as of June of the fiscal year shown, i.e. fiscal year 2011 represents June, 2011.

- (1) Population shown is based on the most recent preceding year's actual.
- (2) Source: Michigan Department of Technology, Management and Budget, Labor Market Information.
- (3) Source: Bureau of Economic Analysis. Data shown is for the Metro area. Data not available for 2011 and 2012.



**Principal Employers**

Current Year and Nine Years Ago

Employer	2012			2003			
	(1) Total Employees	Rank	% of Total City Labor Force	Employees		Rank	% of Workforce
Allegiance Health System	3,536	1	17.76%	2,900	(a)	1	13.88%
Consumers Energy	2,400	2	7.69%	1,700	(b)	2	7.22%
Great Lakes Home Health/Hospice	1,118	3	6.62%	-			-
Local Government	870	4	5.15%	945		3	5.25%
Jackson Public Schools	782	5	4.63%	-			-
Eaton Corporation	650	6	3.85%	580	(c)	4	1.67%
Anesthesia Business Consultants	284	7	1.68%	-			-
Alro Steel Corporation	271	8	1.60%	259		8	1.44%
Way Bakeries	152	9	0.90%	-			-
Certainteed/Wolverine Vinyl Siding	147	10	0.87%	332		6	1.84%
TRW, Inc	-		-	525		5	2.92%
Melling Automotive	-		-	263		7	1.46%
Edscha (Jackson Automotive Group)	-		-	220		9	1.22%
Worthington Steel/Specialties	-		-	202		10	1.12%
	<u>10,210</u>		<u>50.75%</u>	<u>7,926</u>			<u>38.02%</u>

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

(a) Approximately 3,000 in 2012 and 2,500 in 2003 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) All of total shown in 2012 and approximately 300 of total shown in 2003 work in the City...percentage adjusted to reflect.

Source: The Enterprise Group, Jackson County.

**Full-time Equivalent City Government Employees by Function/Program**  
By Function/Program  
Last Ten Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
City manager	5	4	3	4	4	2	2	2	2	2
Finance	5	5	5	5	5	5	5	4	4	4
City assessor	5	5	5	4	5	5	5	3	3	3
City attorney	5	5	5	5	5	5	5	3	2	3
City clerk/elections	4	4	4	4	4	4	4	3	3	3
Personnel	4	3	4	4	4	3	4	3	1	1
Purchasing/city hall	3	3	3	3	3	3	2	2	2	2
City treasurer/income tax	7	7	7	7	7	7	6	4	4	4
Mgt. information services	3	3	1	2	2	3	3	3	2	2
Public safety:										
Police - civilian	24	24	23	22	20	20	18	14	13	13
Police - enforcement	70	70	68	66	64	64	64	60	47	44
Fire - civilian	3	2	2	2	2	2	2	2	1	1
Fire - protection	46	43	43	43	43	42	36	33	23	17
Building inspection	6	7	6	7	5	5	4	4	4	4
Emergency measures	1	1	1	1	1	1	1	1	1	1
Public works:										
Public works	35	33	29	31	29	31	28	26	26	25
Engineering	14	14	13	13	13	12	11	11	10	11
Culture & recreation:										
Parks, recreation & grounds	25	24	24	25	24	24	24	22	18	18
Community development:										
Public safety/community										
Enrichment & development	12	10	10	10	11	11	11	11	8	9
Enterprise funds:										
Sewer	18	18	18	19	19	19	17	19	18	17
Water	34	35	34	34	33	34	30	26	26	25
<b>Total</b>	<b>329</b>	<b>320</b>	<b>308</b>	<b>311</b>	<b>303</b>	<b>302</b>	<b>282</b>	<b>256</b>	<b>218</b>	<b>209</b>

Source: City of Jackson Personnel Department (EEO Reports as of June 30) and Finance Department.  
Note: EEO Reports exclude City Treasurer (elected position).

**Operating Indicators by Function/Program**  
 Last Ten Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public safety</b>										
Police:										
Physical arrests	3,511	3,513	3,628	3,562	3,206	3,314	3,660	3,523	2,928	2,253
Traffic violations	15,567	15,812	14,165	11,003	9,796	7,666	7,815	8,649	6,108	6,683
Parking violations	4,572	5,782	4,741	3,722	3,668	3,410	3,476	2,605	2,085	2,303
Fire:										
Calls answered	4,158	4,105	4,072	4,419	4,521	4,685	4,454	4,469	4,835	4,214
Inspections conducted	325	325	594	762	341	452	450	178	53	10
<b>Sewer system</b>										
Service connections	12,609	12,426	12,802	12,755	12,758	12,758	12,844	12,800	12,860	12,860
Daily average treatment (mg)	12.6	12.9	13.2	12.5	13.6	13.6	12.8	12.1	11.9	11.9
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	15,327	15,352	15,327	15,324	15,509	15,697	15,709	15,726	15,769	15,778
Daily average consumption (mg)	6.91	5.53	5.41	5.49	5.43	5.43	5.22	5.49	5.98	6.30
Maximum daily capacity (mg)	24	24	24	24	24	24	24	24	24	24

mg = million gallons

Source: Various City Departments

**Capital Assets Statistics by Function/Program**  
 Last Ten Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety</b>										
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	40	41	41	39	38	36	36	37	33	31
<b>Fire:</b>										
Stations (1)	3	3	3	3	3	3	3	3	3	3
Response vehicles	9	9	9	10	10	10	10	10	10	10
<b>Culture and recreation</b>										
<b>Parks:</b>										
Number	23	23	23	24	26	26	27	27	27	27
Acreage	636	636	636	636	637	637	638	638	638	638
Community centers	2	2	2	2	2	2	2	2	2	2
<b>Golf courses:</b>										
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	1	1	1	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	165	165	165	165	171	171	171	171	171	171
Street lights	2,335	2,335	2,365	2,440	2,458	2,458	2,458	2,697	2,724	2,724
<b>Sewer system</b>										
Miles of sanitary sewers	160	160	160	160	160	165	165	165	165	165
Miles of storm sewers	108	108	108	108	108	110	110	110	110	110
Treatment plants	1	1	1	1	1	1	1	1	1	1
<b>Water system</b>										
Miles of water mains	231	232	232	244	244	244	244	244	244	244
Treatment plants	1	1	1	1	1	1	1	1	1	1
Fire hydrants	2,029	2,030	2,030	2,064	2,064	2,111	2,111	2,111	2,105	2,197

(1) Only one station actively in use at June 30, 2011 and 2012.

Source: City of Jackson Finance Department

**Schedule of Insurance**

As of June 30, 2012

Type of Coverage	Name of Company	Policy Period	Premium	Description
<u>Building and Contents</u> <i>Michigan Municipal Liability and Property Pool</i>		7/1/11-6/30/12	\$ 121,863	All risk coverage on buildings and contents. \$167,610,829 limit with \$2,500 deductible per occurrence.
<u>Automobile</u> <i>Michigan Municipal Liability and Property Pool</i>		7/1/11-6/30/12	85,534	\$5,000,000 liability limit per occurrence, \$1,000,000 property protection, \$100,000 uninsured motorist protection. \$1,000 comprehensive and collision deductibles.
<u>Liability</u> <i>Michigan Municipal Liability and Property Pool</i>		7/1/11-6/30/12	206,823	Law Enforcement, Public Officials, Municipal General and Employee Benefit Liability coverages. \$5,000,000 limit per occurrence with a \$2,500 deductible.
<u>Crime/Bonds</u> <i>Michigan Municipal Liability and Property Pool</i>		7/1/11-6/30/12	Included	Employee dishonesty and faithful performance blanket, loss inside/outside premises, depositors forgery, money order/ counterfeit paper coverages. \$100,000 liability limit.
<u>Workers Compensation</u> <i>Midwest Employers Casualty Broadspire Services</i>		9/1/11-8/31/12 9/1/11-8/31/12	21,664 16,431	Excess insurance above \$350,000 retention. TPA for claims service.
<u>Community Blue-PPO</u> <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.
<u>COPS Trust &amp; Blue Care Network</u> <i>Blue Cross / Blue Shield</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.
<u>Prescription Drug Coverage</u> <i>ScriptGuide</i>		Monthly		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.
<u>Life</u> <i>Life Insurance Company of North America</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.
<u>Long-term Disability</u> <i>Life Insurance Company of North America</i>		Monthly	Varies	60% of monthly salary with various elimination periods. All full-time employees are covered.

Source: City of Jackson Finance Department

**State Equalized Valuation/Taxable Valuation**  
Fiscal Years Ended June 30, 2009 Through 2013

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)
2007	2008	2009	\$ 936,223,012	\$768,262,890	\$ 783,318,402
2008	2009	2010	863,542,300	752,635,455	758,843,555
2009	2010	2011	802,382,200	725,204,838	730,006,181
2010	2011	2012	743,593,250	691,668,992	696,405,935
2011	2012	2013	661,688,100	642,428,545	651,634,810

Per capita 2012 ad valorem taxable valuation is \$ 19,208 and per capita 2012 total taxable valuation is \$19,484 based on the City's 2010 U. S. census population of 33,445.

(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					
	2009	2010	2011	2012	2013
<u>Use:</u>					
Commercial	29.21%	30.34%	31.90%	31.90%	33.84%
Industrial	24.64%	24.18%	22.88%	22.88%	23.11%
Residential	46.15%	45.48%	45.22%	45.22%	43.05%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>Class:</u>					
Real	88.76%	87.92%	87.62%	87.62%	86.69%
Personal	11.24%	12.08%	12.38%	12.38%	13.31%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

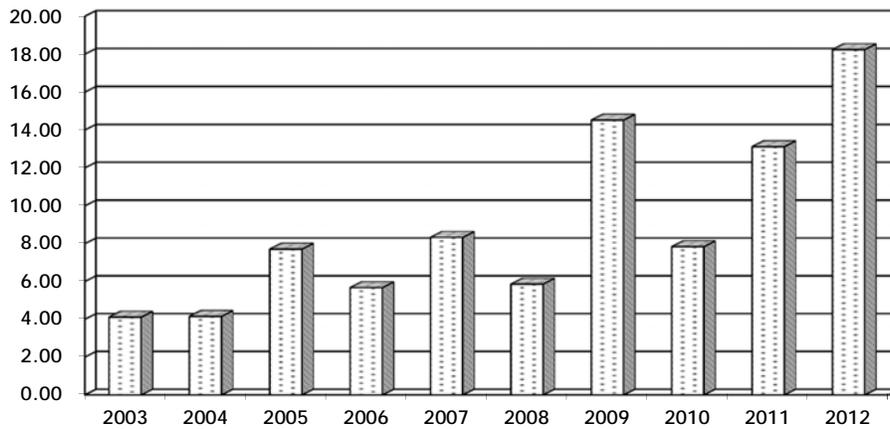
Source: City of Jackson Assessors Department - Forms L-4022

**Revenue Bonds Coverage - Sewer Fund**  
Last Ten Fiscal Years

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	
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
2007	5,934,576	3,829,760	2,104,816	200,000	52,725	252,725	8.33
2008	5,766,209	4,200,485	1,565,724	225,000	42,063	267,063	5.86
2009	5,457,382	3,868,200	1,589,182	75,000	34,425	109,425	14.52
2010	4,763,799	3,933,923	829,876	75,000	30,851	105,851	7.84
2011	5,256,618	3,918,974	1,337,644	75,000	26,944	101,944	13.12
2012	6,558,187	4,770,683	4,770,683	75,000	23,001	23,001	18.24

- (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

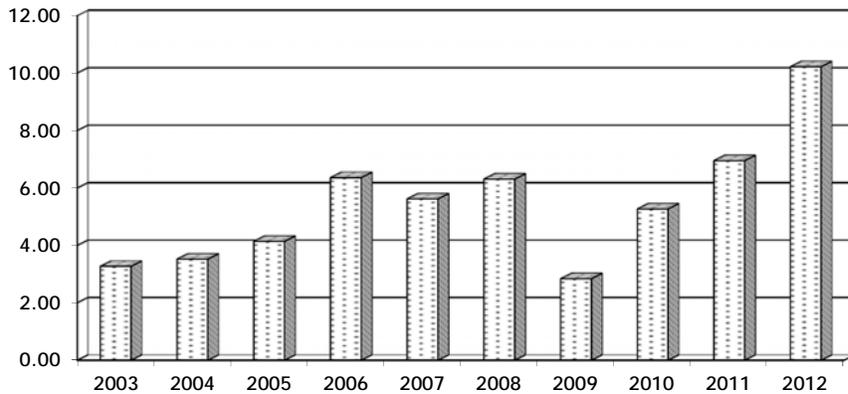


**Revenue Bonds Coverage - Water Fund**  
Last Ten Fiscal Years

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	
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
2007	6,345,440	4,593,068	1,752,372	200,000	111,723	311,723	5.62
2008	7,021,941	5,044,892	1,977,049	210,000	103,323	313,323	6.31
2009	6,392,887	5,463,828	929,059	220,000	107,610	327,610	2.84
2010	6,188,397	4,580,963	1,607,434	253,000	52,218	305,218	5.27
2011	7,010,430	4,940,145	2,070,285	259,000	39,089	298,089	6.95
2012	8,088,240	5,187,421	2,900,819	266,000	17,927	283,927	10.22

- (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. (Note - the fiscal year 2010 principal requirement shown was, due to clerical error, not actually paid until fiscal year 2011).

Revenue Bond Coverage



**Water Supply System**  
Last Five Fiscal Years

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
<b>Water pumped vs. water sold: (in million gallons)</b>					
Pumped	2,607	2,572	2,361	2,594	2,703
Sold	2,401	2,376	2,002	2,181	2,299
Sold as a % of pumped	92.11%	92.36%	84.78%	84.08%	85.06%
<b>Number of customers:</b>					
Residential	12,317	12,354	12,370	12,393	12,368
Commercial	2,136	2,116	2,123	2,191	2,160
Industrial	258	257	249	240	239
<b>Total</b>	<b>14,711</b>	<b>14,727</b>	<b>14,742</b>	<b>14,824</b>	<b>14,767</b>
<b>Percent of water consumption by category:</b>					
Residential	32.39%	31.60%	32.70%	29.60%	30.00%
Commercial	45.90%	47.30%	53.50%	47.10%	42.80%
Industrial	21.71%	21.10%	13.80%	23.30%	27.20%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>History of water rates</b> (average consumption - 22 HCF / average 5/8 inch meter)					
Metered per quarter	\$ 57.85	\$ 57.85	\$ 57.85	\$ 63.77	\$ 70.65
% Change (in average consumption)	0.00%	0.00%	0.00%	10.23%	10.79%
<b>Water supply system annual revenues:</b>					
Metered revenue	\$ 6,165,173	\$ 6,130,257	\$ 5,960,966	\$ 6,721,459	\$ 7,739,709
% increase (decrease)	3.20%	-0.57%	-2.76%	12.76%	15.15%
<b>Water supply system revenues by user class:</b>					
Residential	\$ 2,903,899	\$ 2,865,759	\$ 2,839,975	\$ 2,922,890	\$ 3,170,632
Commercial	2,470,359	2,605,723	2,572,903	2,909,895	3,270,748
Industrial	790,915	658,774	548,088	888,674	1,298,329
Sewer - billing & collection charges	220,418	184,459	193,551	182,978	197,639
<b>Total</b>	<b>\$ 6,385,591</b>	<b>\$ 6,314,715</b>	<b>\$ 6,154,517</b>	<b>\$ 6,904,437</b>	<b>\$ 7,937,348</b>
<b>Water supply revenues by user class as a % of total revenues:</b>					
Residential	45.48%	45.38%	46.14%	42.33%	39.95%
Commercial	38.69%	41.26%	41.81%	42.15%	41.21%
Industrial	12.39%	10.43%	8.91%	12.87%	16.36%
Sewer - billing & collection charges	3.44%	2.93%	3.14%	2.65%	2.48%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: City Water Department

**Water Supply System**  
Ten Largest Water Customers - By Usage  
For the Fiscal Year Ended June 30, 2012

Customer	(1) Usage	(2) % of Total	Revenue	(3) % of Total
Kinder Morgan Michigan/Alphagen	557,928	24.27%	\$ 534,864	6.74%
* Michigan Department of Corrections	410,600	17.86%	473,354	5.96%
Elm Plating	50,044	2.18%	83,050	1.05%
Allegiance Health/Health Center	46,240	2.01%	72,157	0.91%
Eaton Aeroquip Corp.	35,800	1.56%	52,663	0.66%
Certainteed/Wolverine Technologies	27,652	1.20%	42,934	0.54%
Jackson Tumble Finish	26,040	1.13%	42,864	0.54%
** Consumers Energy	22,410	0.97%	47,471	0.60%
* Sun Communities, Inc.	18,710	0.81%	30,132	0.38%
Commonwealth Commerce center	16,687	0.73%	29,358	0.37%

(1) Unit = million gallons (MG)

(2) Based on June 30, 2012 total water sold (Schedule 22) of 2,299.2 MG's.

(3) Based on June 30, 2012 water supply system revenues by user class (Schedule 22) of \$ 7,937,348.

\* Located outside of City limits.

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

Source: City Water Department

**Industrial Facilities Tax Roll**  
For the Fiscal Year Ended June 30, 2012

Year of Transfer To Ad Valorem Tax Roll	(1) I.F.T. S.E.V. Amount
2013	\$ 592,150
2014	657,700
2015	-
2016	1,683,400
2017	1,441,200
2018	723,850
2019	77,800
2020	501,060
2021	340,700
2022	50,350
2023	628,000
2024	193,900
2025	116,050
	<u>\$ 7,006,160</u>

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

Source: City Assessors Department

**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
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
2007	972,179	891,945	-	30,460	49,774	1.09
2008	1,014,339	968,923	-	31,220	14,196	1.05
2009	1,056,990	1,051,513	-	32,002	(26,525)	1.01
2010	984,502	1,139,263	-	32,802	(187,563)	0.86
2011	1,010,638	1,244,100	-	-	(233,462)	0.81
2012	1,038,602	166,366	-	-	872,236	6.24

(1) Capitalized interest was used to pay debt service in fiscal year 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 (1)	Debt Service	(2) Capitalized Interest	Excess Tax Increment Revenues	Debt Service Coverage
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
2007	1,113,451	980,470	-	132,981	1.14
2008	1,153,851	979,017	-	174,834	1.18
2009	1,180,434	1,015,277	-	165,157	1.16
2010	1,161,198	1,039,777	-	121,421	1.12
2011	1,099,927	1,067,896	-	32,031	1.03
2012	1,087,348	864,875	-	222,473	1.26

(1) Includes only those amounts captured for the bonds.

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

**Gas and Weight Tax Revenues, Maximum Annual Debt Service and Historical Debt Service Coverage**

Fiscal Year	Gas & Weight Tax Revenues	(1) Maximum Annual Debt Service	Historical Debt Service Coverage
2003	\$ 2,509,073	\$ 350,721	7.15
2004	2,561,830	350,721	7.3
2005	2,604,990	284,480	9.16
2006	2,569,413	284,480	9.03
2007	2,538,724	284,480	8.92
2008	2,499,445	284,480	8.79
2009	2,409,854	284,480	8.47
2010	2,366,767	284,480	8.32
2011	2,401,143	284,480	8.44
2012	2,427,571	284,480	8.53

(1) Includes maximum debt service on all debt payable from major and local street funds.

**SINGLE AUDIT  
ACT COMPLIANCE**

CITY OF JACKSON, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Fiscal Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through Grantor Number	Federal Expenditures
U.S Department of Housing and Urban Development				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant - Entitlement	14.218	Direct	B10MC260021	\$ 1,206,742
Community Development Block Grant - Entitlement	14.218	Direct	B11MC260021	167,534
ARRA - Community Development Block Grant - Entitlement	14.253	Direct	B09MY260021	34,376
				<u>1,408,652</u>
ARRA - Homelessness Prevention & Rapid - Re-Housing Program	14.262	Direct	S09MY260021	<u>41,814</u>
Home Investment Partnership Programs	14.239	Direct	M09MC260214	306,765
Home Investment Partnership Programs	14.239	Direct	M11MC260214	2,132
				<u>308,897</u>
Neighborhood Stabilization Program	14.264	MSHDA	NSP20080274ENT	<u>23,715</u>
Total U.S. Department of Housing and Urban Development				<u>1,783,078</u>
U.S. Department of Justice				
Bulletproof Vest Partnership	16.607	Direct	n/a	<u>1,500</u>
Justice Assistance Grant Program Cluster:				
ARRA - Byrne Recovery Act Grant	16.804	Direct	2009-DJ-BX-1482	4,676
ARRA - Byrne Recovery Act Grant	16.804	Direct	2010-DJ-BX-1313	19,681
ARRA - Byrne Recovery Act Grant	16.804	Direct	2011-DJ-BX-3148	14,747
ARRA - Byrne Recovery Act Grant - JNET Project	16.803	MDCH	50073-1-09-B	72,604
				<u>111,708</u>
ARRA - Community Policing Services	16.710	Direct	2009RKWX0442	<u>195,665</u>
Byrne Formula Grant - LAWNET Enhancement Project	16.580	MDCH	72239-6-11-B	787
Byrne Formula Grant - LAWNET Enhancement Project	16.580	MDCH	72239-7-12-B	2,568
				<u>3,355</u>
Total U.S. Department of Justice				<u>312,228</u>
U.S. Department of Transportation				
Safe Communities Traffic Programs	20.602	JTSP0	n/a	<u>24,175</u>
U.S. Environmental Protection Agency				
ARRA - Brownfield Assessment	66.818	Direct	n/a	12,286
ARRA - Brownfield Revolving Loan	66.818	Direct	n/a	14,937
Total U.S Environmental Protection Agency				<u>27,223</u>
Total expenditures of federal awards				<u>\$ 2,146,704</u>

See notes to schedule of expenditures of federal awards.

# CITY OF JACKSON, MICHIGAN

## Notes to the Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the *City of Jackson, Michigan* (the "City") under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### 3. OUTSTANDING LOANS

The City has a HUD Section 108 loan with an outstanding balance of \$570,000 at June 30, 2012.

### 4. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipient
Community Development Block Grant	14.218	\$ 79,217
Home Investment Partnership Programs	14.239	46,001
Homelessness Prevention & Rapid Re-Housing Program	14.262	36,028
		<u>\$ 161,246</u>

### 5. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MSHDA	Michigan State Housing Development Authority
MDCH	Michigan Department of Community Health
JTSPO	Jackson Traffic Safety Program Office



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

December 15, 2012

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 *City of Jackson, Michigan* (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2012. 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

Management of the City of Jackson, Michigan, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

We noted certain matters that we reported to management of the City of Jackson in a separate letter dated December 15, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, 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 THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 15, 2012

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

### Compliance

We have audited the compliance of the *City of Jackson, Michigan* (the "City") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 15, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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'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 of the City's compliance with those requirements.

In our opinion, the City of Jackson complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 15, 2012.

## Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, 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, MICHIGAN

## Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2012

### 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

Significant deficiency(ies) identified? \_\_\_\_\_ 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

Significant deficiency(ies) identified? \_\_\_\_\_ 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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218 & 14.253	ARRA - Community Development Block Grant Entitlement Cluster
16.710	ARRA - Public Safety Partnership and Community Policing grants

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

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

## CITY OF JACKSON, MICHIGAN

### Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2012

#### SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

#### SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

No matters were reported.

## CITY OF JACKSON, MICHIGAN

### Summary Schedule of Prior Audit Findings For the Fiscal Year Ended June 30, 2012

No matters were reported.

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