

CITY OF JACKSON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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INTRODUCTORY SECTION



CHARLES H. FARMER
MAYOR

ALAN L. LAFFOON
CITY RECORDER

December 15, 2006

The Honorable Mayor, City Council and Citizens of Jackson:

The Financial Statements and Supplementary Information of the City of Jackson for the fiscal year ending June 30, 2006 are hereby submitted as required by state statutes. These statutes require that all general-purpose local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we whereby issue the financial statements and supplementary information of the City of Jackson.

The Governmental Accounting Standards Board (GASB) established a new financial reporting model for state and local governments in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The requirements of this statement represent a significant change in the financial reporting model used by the City. In addition to fund financial statements, the City is required to report government-wide financial statements prepared using the accrual basis of accounting and the economic measurement focus for all funds. Other changes include the establishment of new fund types, the elimination of account groups, a focus on major funds in the basic financial statements, the reporting of infrastructure, the preparation of cash flow statements using the direct method and the inclusion of Management's Discussion and Analysis (MD&A).

This new presentation provides users of the Financial Statements and Other Supplementary Information with additional information to assist in their review of financial position and results of operations. The objective of the Statement was to enhance the understandability and usefulness of the general-purpose external financial reports of state and local government to the citizenry, legislative and oversight bodies, and investors and creditors. The City fully implemented the GASB 34 requirements in FY 2003 and the results were reflected in the subsequent FY 2003 Audit Report. During the FY 2004 review/update process on Infrastructure, additional data pertaining to the FY 2003 reported Infrastructure numbers was identified. The time frame required to complete the review was of a magnitude that resulted in City Management's decision not to report Infrastructure numbers on the FY 2004 Statement of Net Assets. Any/all updates and/or corrections were reported in FY 2005.

This report consists of management's representation concerning the finances of the City. 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, management of the City 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 conformance 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.

Alexander Thompson Arnold PLLC, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Jackson for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; in assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concludes, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Jackson's financial statement for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires 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 complement MD&A and should be read in conjunction with it. The City of Jackson's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government:

The City of Jackson is located in the heart of western Tennessee, approximately 80 miles east of Memphis/Shelby County and approximately 120 miles west of Nashville/Davidson County. During the last several years, west Tennessee has been one of the growth areas within the state. Although growing less rapidly than the middle section of Tennessee, our more methodical growth has occurred at a rate that has allowed for development of infrastructure at an affordable pace.

The City of Jackson occupies a land area of 54 square miles and serves a population of 59,643. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation,



which occurs periodically when deemed appropriate by the governing body. The City undertook the annexation of fourteen square miles and 5,000 new residents in the city limits during the last decade. The City is currently pursuing a proposed annexation of 49 tracts of land (Proposed Northwest Annexation) that encompasses 7,654 acres and 2,771 new residents.

The City was established in 1822 and incorporated in 1845. The Charter of the City is a private act of the State Legislature, which established the governing body of the City as a nine member Council who serves four-year terms of office. Members are elected by district. The CEO of the City is the Mayor, who is elected by all the voters. The Mayor is the presiding officer at City Council meetings. The Mayor has no vote on Council issues, but has veto power, which can be overridden by a 2/3 vote of Council.

The Council is responsible, among other things, for passing ordinances, adopting the budget, ratifying committee and board appointments, and electing a Treasurer and Vice Mayor from the Council, and a City Recorder, from outside the Council. The Mayor is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City provides a wide range of services characteristic of similar jurisdictions in the State, including public safety, highways and streets, recreation, library, public works, improvements, planning and zoning, and general administrative services. The City also provides garbage collection and disposal services through a business-type activity fund that has been included as an integral part of the City of Jackson's financial statements. Electric power, natural gas, and water and sewer operations are provided by the Jackson Energy Authority (JEA), which in 2001 was established by act of the TN legislature as an independent authority.

The annual budget serves as the foundation for the City of Jackson's financial planning and control. The budget preparation process begins in January when City departments begin preparation of their long-range capital improvement requests. During the subsequent months, the finance and accounting staff initiates the review and evaluation of each request in light of available revenues and in accordance with the City's overall goals and objectives. By April, the Accounting Department compiles a draft capital plan, which is submitted to the Mayor for review, refinement, and approval.

During March, City departments begin assessing resource needs for the coming year relative to their operating budgets. Work sessions are held within departments and divisions, under the review of the heads of major departments. By April, the consolidated requests are submitted to the Accounting Department for consolidation and review. The product of that review is refined in meetings with the Mayor and the Finance staff. The Mayor presents a finished budget, adjusted for balance between expenditure and revenue projections and updated with current year results, to the Council in June.



Budget hearings are held to allow public comment. The hearings provide formal citizens' input to the City Council on decisions and issues related to the Budget. The hearings also provide the Council with access to those department heads directly involved in budget preparation. The Council, after review of all information and after making final adjustments or amendments, passes the budget by ordinance after two readings. The budget is then submitted to the State Comptroller for review.

Amendments may be made by resolution to the original appropriations ordinance at any time during a current fiscal year. Except for changes of small amounts or emergency expenditures, the Mayor and department heads are not allowed to transfer funds between accounts. Increases in overall appropriations can be made only with Council approval.

Budget-to-actual comparisons are provided in this report for each major fund for which an appropriated annual budget has been adopted.

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.

The City of Jackson and Madison County benefit from the highest per capita retail sales in the State of Tennessee. While the per capita income is less than some of the wealthier "bedroom communities" that surround the metropolitan cities, Jackson serves as the cultural, economic, and entertainment hub of West Tennessee. *Sales and Marketing Magazine* regularly reports our retail sales as some of the highest in the nation, even while our income levels average 10% below the national average.

The City's population grew by almost 20% between 1990 and 2000 according to the U.S. Census reports.

While the recent slowdown in the national economy and the events of September 11, 2001 have affected Jackson's economy, the local economy remains relatively strong compared to other communities. The total valuation for new residential building permits issued during the 2005 calendar year was \$53.2 million with 410 permits being issued. In fiscal year 2006, Jackson had a total assessed value of property of \$1.201 billion.

The City of Jackson has reached or surpassed \$1 billion in retail sales for seven consecutive years. Recent additions to the retail environment include Kohls, Ross, Bed/Bath/Beyond, Best Buy Electronics, Ashley's Home Furnishings, and a stand-alone Kirkland's Home Furnishings.



Jackson has a well-diversified manufacturing base, with over 8,000 manufacturing jobs. Not dependent on a single, large employer, Procter & Gamble has the largest employment with 1,280, followed by Porter Cable/Delta with 1,200. There are approximately 30 manufacturing locations in Jackson.

Jackson is the regional or corporate headquarters for Procter & Gamble's Pringles division, Devilbiss Air Power, Maytag, Delta Faucet, Pinnacle Foods, International Paper, Gerda Ameristeel, and several other companies. In 2003, the Bodine division of Toyota Motor Company selected Jackson as the site for its newest engine plant. That manufacturing facility is currently in a production start-up mode.

Jackson is the healthcare center for West Tennessee, boasting two hospitals with a combined total of 863 beds, with the larger of the two having issued \$85 million in new bonds for a major expansion. There are also 44 medical clinics, 19 retirement or nursing homes, and more than 450 practicing physicians.

The expansion of retail, manufacturing and healthcare delivery services have broadened the tax base of the city and made Jackson less dependent on property tax alone. Prior to the FY2003-2004 fiscal year, the City of Jackson had provided continuing and expanded services for nineteen years without a rate increase in property tax. For FY 2004, the public has shown the willingness to accept the increase in the property tax rate from \$1.98 to \$2.22. The six-year reappraisal process resulted in the 2005 Tax Rate being decreased to \$2.10.

Major Initiatives for the Year:

The City's capital improvement plan calls for \$12 million in expenditures in the next fiscal year. Of these items, street and road improvements total over \$7 million. Non-recurring, exception projects, including \$8 million for relocation of the Street Department and City Garage were completed in FY06.

The thrust for current and future fiscal years will be the rebuilding of the downtown and East Jackson areas damaged in the tornadoes of May 4, 2003. The Urban Land Institute study will serve as a guide to the redevelopment of the storm-blighted areas. FY06 saw the completion of the West Tennessee Healthcare Sportsplex, a \$14 million seventeen-field baseball/softball complex for both traveling teams and local leagues. This facility is anticipated to bring in approximately \$8 million in tourism dollars annually.



Acknowledgements:

The efforts of the members of the Finance department staff and the cooperation of each of the City's departments were essential in the preparation of this report. Specific appreciation is expressed to the Director of Finance, Audit, and Budgeting, Karen Bell on her preparation and thoroughness throughout the audit process, and to Jennifer Hicks, Ida Williams, and Shirley Crick for their expertise in determining the historical valuation of fixed assets.

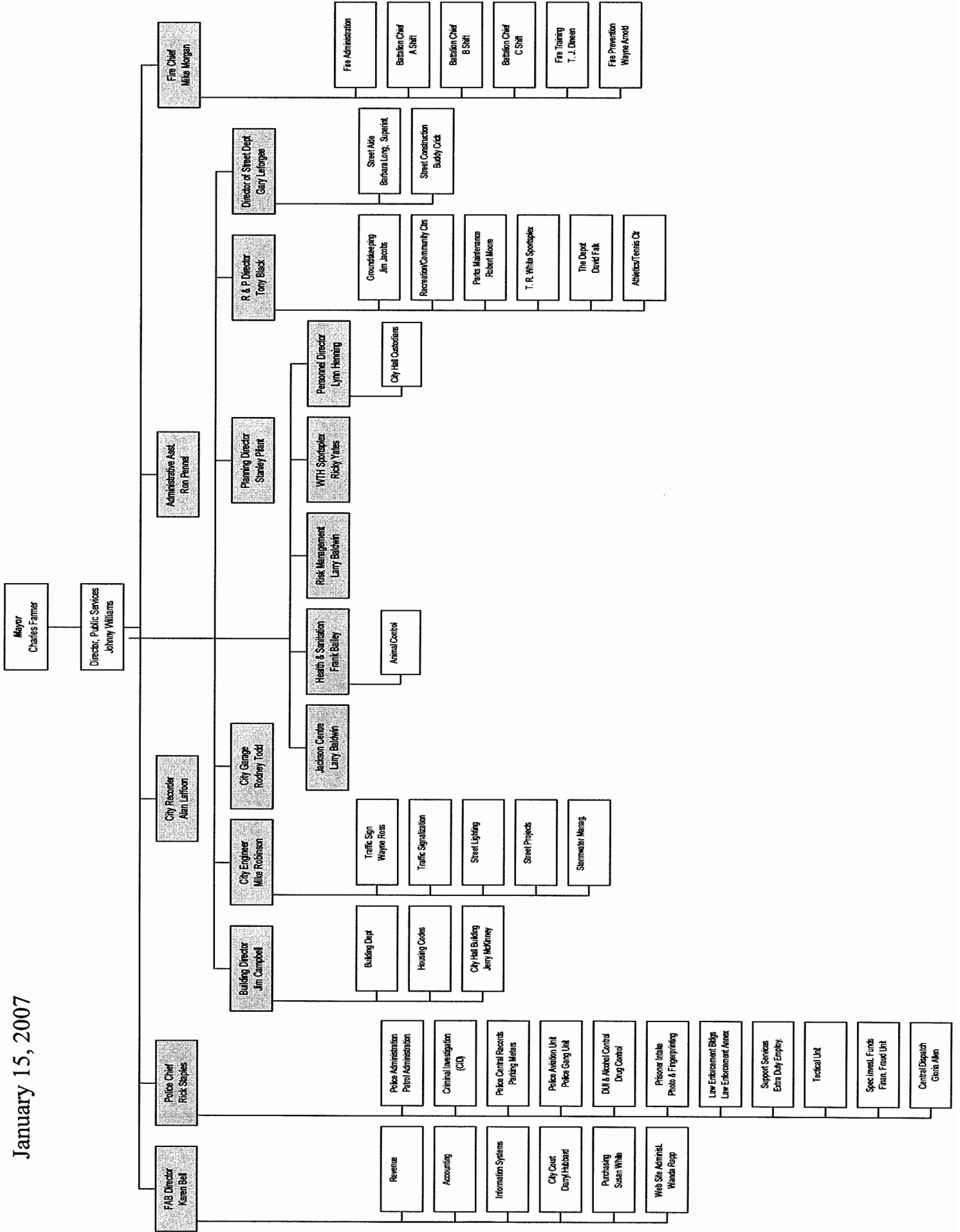
Also, the City is indebted to the staff of Alexander Thompson Arnold PLLC, and specifically Jack Matthis, for their valuable guidance and assistance. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standard of professionalism in the management of the City of Jackson's finances.

Respectfully submitted,

Alan L. Laffoon
City Recorder

January 15, 2007

CITY OF JALISCO

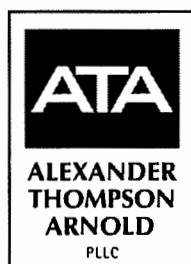


CITY OF JACKSON, TENNESSEE**LIST OF PRINCIPAL OFFICIALS**

JUNE 30, 2006

<u>Title</u>	<u>Name</u>
Mayor	Charles H. Farmer
Vice-Mayor	Johnny Dodd
Treasurer	Ernest Brooks, II
Council Member	John Bannister
Council Member	Harvey Buchanan
Council Member	David Cisco
Council Member	Maurice Hays
Council Member	Anna Parks-Covington
Council Member	Charles Rahm
Council Member	Charles Bray
City Attorney	Lewis Cobb
City Recorder	Al Laffoon
Director of Finance, Audit, and Budgeting	Karen Bell
Police Chief	Richard Staples
Fire Chief	Mike Morgan
Director of Public Services	Johnny Williams
Director of Personnel	Lynn Henning

FINANCIAL SECTION



Certified Public Accountants

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Jackson, TN 38305 Fax: (731) 424-5701

Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

www.atacpa.net

Independent Auditor's Report

Honorable Charles H. Farmer, Mayor
Members of the Council
City of Jackson, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jackson, Tennessee, (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jackson Transit Authority (JTA) or the Jackson Energy Authority (JEA). Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for JTA and JEA, is based solely on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Alamo, TN
Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN

Martin, TN
Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

The management's discussion and analysis on pages 11 through 20 and the required supplementary information on pages 78 to 79 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit and that of the other auditors was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial information listed as other supplementary information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal awards are prepared for purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole. The information listed as historical information and the information specifically listed as "Unaudited" in the Table of Contents are not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information.



Certified Public Accountants

Jackson, Tennessee
October 6, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Jackson, Tennessee (the "City" or the "City of Jackson"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. The City of Jackson implemented the Government Accounting Standards Board (GASB) Statement 34 during FY 2003. During the FY 2004 review/update process on Infrastructure, additional data pertaining to the FY 2003 reported numbers was identified. The time frame required to complete this review was of a magnitude that resulted in City Management's decision not to report Infrastructure numbers on the FY 2004 Statement of Net Assets. Any/all updates/corrections were reported in FY 2005. Thus, the following analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please consider the information presented here in conjunction with our Letter of Transmittal (pages 1-6) and the City's financial statements (beginning on page 21).

FINANCIAL HIGHLIGHTS

- The assets of the City of Jackson exceeded its liabilities at the close of the most recent fiscal year by \$76.7 million (net assets). Of this amount, \$53.1 million (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 \$14.0 million. Of the increase, \$6.3 million is the direct result of the City Management's decision to sell the City Landfill to Allied/BFI and the resulting Net Gain on Sale of Assets.
- As of the close of the current fiscal year, the City of Jackson's governmental funds reported combined ending fund balances of \$17.0 million. Approximately 80% of this total amount, \$13.9 million, is available for spending at the government's direction (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10.6 million, or 17.5% of total general fund expenditures. Increases in fund balance levels will be needed to meet future unexpected emergencies, revenue uncertainties at the State level, or any further softness in the economy.
- The City of Jackson's total debt increased by \$8.5 million (11.5%) during the current fiscal year. Principal payments of \$3.4 million were made during the year and (1) drawdown of \$6 million was made against the 2004 Bond, leaving \$4 million still available. \$6.0 million in 12-Year Capital Outlay Notes were initiated as a means of financing the Sportsplex, a 17-field baseball/softball complex.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

There are two government-wide financial statements:

- **Statement of Net Assets** - The statement of net assets presents information on all of the City of Jackson'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 of Jackson is improving or deteriorating.

➤ **Statement of Activities** - The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All current year revenues and expenses are taken into account 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 years (for example, uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Jackson that are principally supported by taxes and intergovernmental revenues (government 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 of Jackson include general government, public safety, roads and streets, public welfare, parks and recreation, public buildings, library, and Urban Interchange (at I-40). The business-type activities of the City of Jackson include solid waste disposal (landfill), Sportsplex, and community development.

The government-wide financial statements include not only the City itself (known as the primary government) but also two legally separate entities (known as component units). The Jackson Transit Authority, although legally separate, is important because the City is financially accountable for it. Issued separately, audited financial reports for the Jackson Transit Authority can be obtained from the Transit Authority, 241 East Deaderick Street, Jackson, TN.

The Jackson Energy Authority is also presented in the report as a discretely presented component unit due to the fact that the City has guaranteed their bond issues.

The government-wide financial statements can be found on pages 21-24 of this report.

Fund financial statements. The fund financial statements provide more detailed information about the most significant funds - not the City as a whole. Some funds are required by State or Federal law or by bond covenants. Other funds are established by the City Council to help it control and manage money for designated or restricted purposes (such as the Robertson Park fund), or to show that it is meeting legal responsibilities for how certain taxes, grants and other monies are used (such as grants received from the United States Department of Housing and Urban Development).

All of the funds of the City of Jackson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. The City's basic services are included in governmental funds. The focus of these funds is on how cash and other financial assets that can readily be converted to cash when received are used, and what remains at the end of the fiscal year for future spending. This detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not include the additional long-term focus of the government-wide statements, we provide additional information after the governmental fund statements that explain the differences between the long-term view and the short-term view.

The City maintains a general fund, multiple special revenue funds, a debt service fund, and a capital projects fund as governmental funds. Information is presented separately in the governmental statement for the general fund, debt service fund, solid waste collection fund, industrial park fund, and the capital projects fund since all of these are considered major funds. Data for the other funds is combined into a single column.

The City of Jackson adopts a budget for all governmental funds. A budgetary comparison for the general fund and the major special revenue funds is found in the fund statements of this report. Budgetary comparisons are provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 25-28 of this report.

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long-term and short-term financial information. There are two different types of proprietary funds: enterprise funds and internal service funds. The City of Jackson maintains only enterprise funds.

Enterprise funds are the same as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The solid waste disposal fund, Sportsplex, community development, and Jackson Transit Authority are considered major funds.

Internal service funds provide services for other City activities. The City of Jackson could choose to account for maintenance of City vehicles or self-financed health insurance through an internal service fund. Because services like these benefit predominantly governmental rather than business-type functions, the City has chosen to include those activities in the governmental funds.

The basic proprietary fund financial statements can be found on pages 29-33 of this report.

Fiduciary funds. Fiduciary funds provide information about the financial relationships where the City acts solely as a trustee or fiduciary for the benefit of others to whom the resources belong. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance City operations. All of the City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets in the fund financial statements.

The fiduciary fund financial statements can be found on pages 34-35 of this report.

Note to the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 50-73 of this report.

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

Required supplementary information can be found on pages 74-75 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

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 exceed liabilities by \$76.7 million as of June 30, 2006. During the FY 2004 review/update process on Infrastructure, additional data pertaining to the FY 2003 reported numbers was identified. The time frame required to complete this review was of a magnitude that resulted in City Management's decision not to report Infrastructure numbers on the FY 2004 Statement of Net Assets. Any/all updates/corrections were reported in FY 2005.

An additional portion of the City's net assets represents resources that are subject to restrictions as to how they may be used. These include net assets restricted for roads and streets (\$1.0 million), insurance claims (\$1.2 million) and other purposes (\$0.9 million).

In order to provide a complete picture of the net assets of the City, information is provided separately, in the table below, for the net assets of governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 51,707	\$ 53,710	\$ 17,502	\$ 5,639	\$ 69,209	\$ 59,349
Capital assets	108,765	101,260	14,120	8,482	122,885	109,742
Total assets	<u>\$ 160,472</u>	<u>\$ 154,970</u>	<u>\$ 31,622</u>	<u>\$ 14,121</u>	<u>\$ 192,094</u>	<u>\$ 169,091</u>
Long-term liabilities	\$ 75,497	\$ 76,293	\$ 9,188	\$ -	\$ 84,685	\$ 76,293
Other liabilities	29,571	26,767	1,126	3,415	30,697	30,182
Total liabilities	<u>105,068</u>	<u>103,060</u>	<u>10,314</u>	<u>3,415</u>	<u>115,382</u>	<u>106,475</u>
Net assets:						
Invested in capital assets	15,530	27,156	4,968	8,483	20,498	35,639
Restricted	2,505	5,534	-	-	2,505	5,534
Unrestricted, reserved	604	-	-	-	604	-
Unrestricted	36,765	19,220	16,340	2,223	53,105	21,443
Total net assets	<u>55,404</u>	<u>51,910</u>	<u>21,308</u>	<u>10,706</u>	<u>76,712</u>	<u>62,616</u>
Total liabilities and net assets	<u>\$ 160,472</u>	<u>\$ 154,970</u>	<u>\$ 31,622</u>	<u>\$ 14,121</u>	<u>\$ 192,094</u>	<u>\$ 169,091</u>

Changes in Net Assets

Net assets of the City's governmental activities increased by \$3.5 million, or 6.0%. This increase is the direct result of the FY06 operating performance of Revenue versus Expense.

During the same period, the net assets of the business-type activities increased by \$10.6 million, the main contributing factors being the sale of the City Landfill and the establishment of the Sportsplex Fund for the new 17-field baseball/softball complex.

In order to provide a complete picture of the changes in net assets of the City, information in the table below is provided separately for the net assets of governmental and business-type activities.

CITY OF JACKSON, TENNESSEE
CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2006 AND 2005
(in thousands)

Revenues:	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program revenues:						
Charges for services	\$ 15,508	\$ 13,316	\$ 3,804	\$ 3,312	\$ 19,312	\$ 16,628
Operating grants	4,058	2,676	17	2,337	4,075	5,013
Capital grants/contributions	3,546	3,676	319	-	3,865	3,676
General revenues:						
Property taxes	28,671	26,610	-	-	28,671	26,610
Local option sales tax	24,552	23,298	-	-	24,552	23,298
Business taxes and licenses	6,156	7,317	-	-	6,156	7,317
Other sources	(61)	3,080	6,260	(18)	6,199	3,062
Grants, unrestricted	798	743	-	-	798	743
Investment earnings	547	366	275	66	822	432
Transfers	(6,737)	(2,532)	6,737	2,536	-	4
Total revenues	<u>77,038</u>	<u>78,550</u>	<u>17,412</u>	<u>8,233</u>	<u>94,450</u>	<u>86,783</u>
Expenditures:						
Governmental activities:						
General government	29,752	27,386	-	-	29,752	27,386
Public safety	22,032	21,835	-	-	22,032	21,835
Public works	12,808	15,284	-	-	12,808	15,284
Recreation and parks	6,120	6,184	-	-	6,120	6,184
Interest on long-term debt	2,838	2,344	-	-	2,838	2,344
Other	(6)	523	-	-	(6)	523
Business-type activities:						
Solid waste	-	-	3,879	4,950	3,879	4,950
Jackson Transit Authority	-	-	2,877	2,585	2,877	2,585
Westwood Gardens	-	-	97	27	97	27
Municipal golf course	-	-	-	221	-	221
Community development	-	-	23	83	23	83
Total expenditures	<u>73,544</u>	<u>73,556</u>	<u>6,876</u>	<u>7,866</u>	<u>80,420</u>	<u>81,422</u>
Change in net assets	3,494	4,994	10,536	367	14,030	5,361
Net assets - beginning	51,910	8,336	10,706	10,365	62,616	18,701
Prior period adjustment	-	38,580	66	(26)	66	38,554
Net assets - ending	<u>\$ 55,404</u>	<u>\$ 51,910</u>	<u>\$ 21,308</u>	<u>\$ 10,706</u>	<u>\$ 76,712</u>	<u>\$ 62,616</u>

Governmental Activities

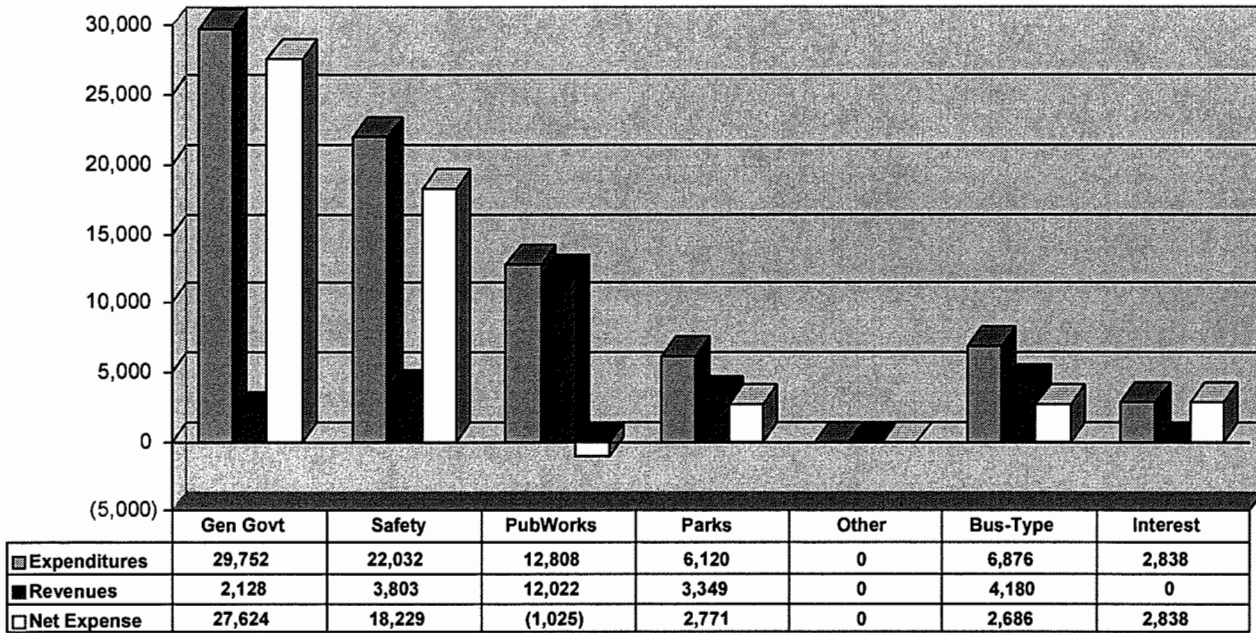
Current fiscal year revenues for the City’s governmental activities were \$77.0 million while the same period expenses were \$73.5 million, resulting in a positive impact of \$3.5 million on Net Assets.

- Property tax billings increased \$2.4 million or 8.6% for the FY 2006 fiscal year, a result of the increased commercial growth in the north corridor of the City.
- Local Option Sales Tax increased by \$1.3 million or 5.4%, slightly more than State statistics.
- Revenues from intergovernmental sources, including state-shared taxes and local license/fees increased by \$.7 million from the FY05 level, primarily as a result of the State giving back a portion of the percentage reduction made in FY04.

The graphs below show the revenue generated by the largest programs of the City as compared with the expenses associated with providing each service. This will show the net cost, or the financial burden placed on City taxpayers for each program. Also presented are the major sources of revenue for governmental activities.

As you can see in the graph below, Public Safety is normally the largest activity, reflecting the City’s commitment to a safe community. It was surpassed, however, by General Government, which includes employee benefits for all departments plus intergovernmental transfers. For the most part, expenses paralleled inflation and growth in the demand for services. Public Works reflected a \$2.5 million or 16.2% reduction, due budget cutting efforts.

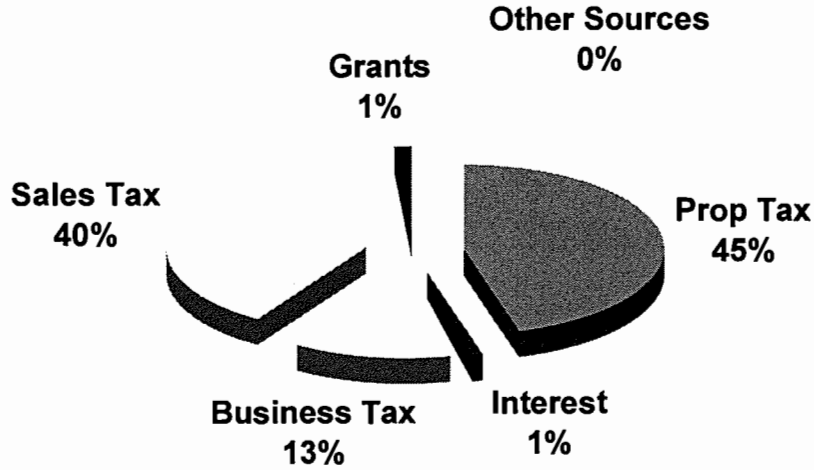
Expenses and Program Revenues



The graph below shows the percentage of revenue derived from major sources. Property Tax accounts for 45% of revenue while the combined Local Option plus State-Shared Sales Tax makes up 40%.

Revenues by Source - Governmental Activities

■	Property taxes	28,301
■	Interest	547
□	Business taxes	7,968
□	Sales taxes	24,552
■	Grants	788
□	Other Sources	0
(Numbers in thousands)		



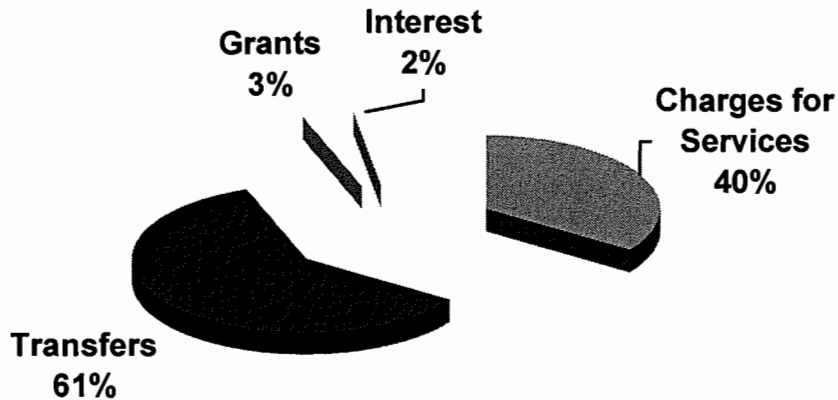
Business-Type Activities

Revenues and transfers for the City's business-type activities were \$17.4 million for the year just completed with operating expenses of \$6.9 million, resulting in an operating income of \$10.6 million. The sale of the City's landfill generated a gain on sale of assets amounting to \$6.3 million to account for the majority of the \$10.6 million operating income.

The chart below shows the major sources of revenue for business-type activities.

Revenues by Source – Business-type Activities

■	Charges for Services	3,844
■	Transfers	6,737
□	Grants	336
□	Interest	275
(Numbers in thousands)		



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City of Jackson'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 of Jackson's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. All major governmental funds, with the exception of the Industrial Development fund, reported a positive ending fund balance.

As of the end of the current fiscal year, the City of Jackson's governmental funds reported combined ending fund balances of \$17.0 million, a decrease of \$5.5 million in comparison with the prior year. The \$5.5 million total decrease is basically due to a \$3.0 million decrease in the Debt Service Fund and a \$5.3 million decrease in the Capital Fund, partially offset by the \$3.1 million increase in the General Fund. The \$3.0 million decrease in the Debt Service Fund was a planned reduction from a two-year delay in premiums on (3) TMBF Bonds. Approximately 82% of this total amount (\$13.9 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending, as it has already been committed for debt service, capital projects, public works, or other purposes.

Information about selected major governmental funds is presented below.

General Fund. This fund is the chief operating fund of the City of Jackson. At the end of the current fiscal year, unreserved fund balance of the general fund was \$10.6 million. A measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 17.5% of total general fund expenditures of \$60.5 million.

Capital Projects Fund. This fund focuses on project-to-date costs for many projects within the City. At the end of the year, the fund reports \$3.7 million in fund balance. This is a \$5.3 million decrease in total capital funds from last year as planned, leaving \$4 million available in the 2004 TMBF Bonds to be drawn down in FY07.

- The City spent \$10.6 million on capital expenditures, primarily from proceeds of a \$25 million loan through the TN Municipal Bond Fund program.
- Current year expenditures included \$8.6 million for public works projects, including road, streets and bridges; \$.5 million for parks and public buildings; \$1.0 million for public safety; and \$.5 million for general government.

Proprietary Funds

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

As the City completed the fiscal year, its proprietary funds had a fund balance of \$21.3 million. Of this amount, \$16.4 million was available to meet on-going obligations with the remainder invested in capital assets. Key factors within the major enterprise funds are presented below:

- Net assets of the Solid Waste Disposal Fund were \$11.1 million for fiscal year 2006, all of which were unrestricted as a result of the sale of the City's Landfill.
- The other major factor in the Proprietary Funds category was the introduction of the Sportsplex Fund, an Enterprise Fund for the City's (17) field baseball/softball complex for "Travel Ball". Subject complex was under construction at the end of FY06, with opening tournaments scheduled to start in August of FY07. The total capital cost of the subject complex was budgeted at \$14 million.

General Fund and Debt Service Budgetary Highlights.

Revenues

- Property taxes were \$675 thousand over budget at \$24.1 million.
- Licenses and Permits were \$422 thousand over budget at \$4.5 million.
- Tax equivalents were \$76 thousand over budget at \$2.5 million.
- Fines, Interest & Penalties were \$404 thousand over budget at \$1.5 million.
- Local Option Sales Tax collections were \$20.3 million or \$250 thousand, 1.2%, over the budgeted amount of \$20.0 million.
- State-Shared Sales Tax to the City was \$260 thousand or 7.0% over budget.
- The state-shared Hall Income tax receipts were \$129 thousand over budget at \$429 thousand.

Expenditures

- Health insurance contributions on behalf of employees were \$3.4 million or \$28 thousand over budgeted amounts.
- Pension costs were \$4.2 million, a \$.1 million increase from FY 2005. It should be noted that pension costs in FY07 will increase by \$.9 million due to an across-the-board increase by TCRS.

Fund Balances of Governmental Funds

The fund balance of the City of Jackson's General Fund increased by \$3.1 million during the current fiscal year. Key factors in this increase are as follows:

- Beginning fund balance was \$10.4 million, significantly down from previous years, due to the FY 2003 tornado.
- Ending fund balance was \$13.5 million, as a result of increased level of property tax revenue and State-shared taxes, accompanied by a strong effort to reduce discretionary spending.

The debt service fund has a total fund balance of \$1.0 million, all of which will be designated for capital expenditures. The net decrease in fund balance during the preceding year in the debt service fund was \$3.0 million as a result of delaying principal payments on three (3) Tennessee Municipal Bond Fund Bond Issues for a 2-year period. The precipitous drop in interest rates favorably impacted the amount of interest paid on variable rate loans, resulting in the current \$1.0 million fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During the FY 2004 review/update process on Infrastructure, additional data pertaining to the FY 2003 reported numbers was identified. The time frame required to complete this review was of a magnitude that resulted in City Management's decision not to report Infrastructure numbers on the FY 2004 Statement of Net Assets. Any/all updates/corrections have been reported in FY 2005.

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

- A total of \$8.6 million for Public Works projects, including roads, streets, and bridges.
- A total \$1.0 million for Public Safety and \$.5 million for General Government projects.
- \$.5 million for Public Welfare and Community Services.

The City's capital improvement program has been sharply curtailed in the FY07 Budget, as the major projects of the past two years came to completion and the debt service level increases to reflect the major bond issues of the past (5) years.

Debt

At the end of the current fiscal year, the City of Jackson had total long-term general obligation debt outstanding of \$82.6 million. This entire amount is backed by the full faith and credit of the City. There are no bonds secured solely by specified revenue sources (revenue bonds).

CITY OF JACKSON, TENNESSEE
OUTSTANDING DEBT - GENERAL OBLIGATION AND REVENUE BONDS
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 22,940	\$ 25,905	\$ -	\$ -	\$ 22,940	\$ 25,905
TN Bond Fund loans	53,722	48,200	-	-	53,722	48,200
Capital Outlay Notes	-	-	5,985	-	5,985	-
Revenue bonds	-	-	-	-	-	-
Total Outstanding Debt	<u>\$ 76,662</u>	<u>\$ 74,105</u>	<u>\$ 5,985</u>	<u>\$ -</u>	<u>\$ 82,647</u>	<u>\$ 74,105</u>

The City of Jackson's total long-term debt increased by \$8.5 million, (11.5%), during the current fiscal year. The key factor in this increase was the draw down of \$6.0 million in general obligation debt to finance various capital projects, plus the addition of \$6 million in 12-Year Capital Outlay Notes for the Sportsplex. The FY 2006 average interest rate was 3.5% on Tennessee Bond Fund Loans and 4.9% on General Obligation Bonds. The Capital Outlay Notes are at 62.5% of Prime with a cap of 5.3%. The rate fluctuates daily and is closely tied to short-term Treasury bills.

The City of Jackson maintains an A2 rating from Moody's Investors Service for its general obligation debt. The 1997 bond issue was rated AAA with MBIA insurance.

State statutes allow cities to establish limits to the amount of general obligation debt they may issue against the assessed value within their corporate limits. The City of Jackson has not set a formal limit.

Contacting the City's Financial Management

Office of the City Recorder
101 East Main Street
Jackson, TN 38301
731-425-8248

BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Jackson Energy Authority
ASSETS				
Cash and cash equivalents	\$ 27,915	\$ 767,953	\$ 795,868	\$ 29,525,255
Investments	12,138,631	17,572,770	29,711,401	12,537,328
Receivables:				
Interest	8,403	-	8,403	57,091
Dividends	-	-	-	1,028,000
Taxes (net of allowance for uncollectible accounts)	27,764,971	-	27,764,971	-
Accounts (net of allowance for uncollectible accounts)	1,187,159	205,701	1,392,860	17,510,992
Grants	1,645,660	50,432	1,696,092	544,603
Intergovernmental	5,738,980	-	5,738,980	-
Court fines (net of allowance for uncollectible accounts)	375,971	-	375,971	-
Current maturities of long-term notes receivable	-	100,000	100,000	11,220
Due from other funds (internal balances)	2,430,938	(2,430,938)	-	-
Capital lease	21,120	-	21,120	-
Inventories:				
Parts and supplies	147,119	49,421	196,540	4,814,707
Gasoline and diesel	55,982	-	55,982	-
For resale	6,802	-	6,802	-
Prepaid expenses	12,279	70,687	82,966	2,986,728
Advance to Jackson-Madison County Airport Authority	29,723	-	29,723	-
Other assets	-	9,118	9,118	-
Unamortized bond issue cost	-	-	-	1,817,199
Deferred cost - GIS project	-	-	-	2,442,393
Other deferred costs	-	-	-	3,559,559
Unrecovered purchased gas cost	-	-	-	343,097
Reimbursable costs	-	-	-	293,407
Long-term portion of capital lease receivable	115,634	-	115,634	-
Long-term notes receivable	-	1,106,867	1,106,867	13,362
Restricted assets:				
Cash and cash equivalents	-	-	-	17,764,916
Capital assets (net of accumulated depreciation):				
Land	18,886,663	2,532,836	21,419,499	-
Buildings	39,505,398	1,327,235	40,832,633	-
Improvements other than buildings	1,393,671	-	1,393,671	-
Machinery and equipment	6,068,359	1,825,666	7,894,025	-
Furniture and fixtures	-	102,725	102,725	-
Plant in service	-	-	-	345,292,705
Infrastructure	42,910,525	-	42,910,525	-
Construction in progress	-	8,331,878	8,331,878	26,757,116
Total assets	\$ 160,471,903	\$ 31,622,351	\$ 192,094,254	\$ 467,299,678

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF NET ASSETS (Cont.)
 JUNE 30, 2006

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u> Activities	<u>Business-type</u> Activities	<u>Total</u>	<u>Jackson Energy</u> Authority
LIABILITIES				
Accounts payable	\$ 3,651,917	\$ 580,613	\$ 4,232,530	\$ 24,157,180
Accrued expenses	-	68,769	68,769	6,317,486
Customer deposits	50,939	-	50,939	2,993,669
Due to fiduciary funds	30,520	-	30,520	-
Payable to other governments	79,064	-	79,064	-
Accrued interest payable	345,043	-	345,043	-
Deferred revenue	25,413,464	-	25,413,464	-
Gas supply imbalances	-	-	-	92,642
Accrued landfill closure/postclosure costs	-	476,840	476,840	-
Current liabilities payable from restricted assets:				
Accrued revenue bond interest	-	-	-	497,282
Current portion - revenue bonds payable (net of discount)	-	-	-	991,930
Noncurrent liabilities:				
Due within one year	6,984,757	844,543	7,829,300	776,909
Due in more than one year	68,512,408	8,343,094	76,855,502	178,611,773
Total liabilities	<u>\$ 105,068,112</u>	<u>\$ 10,313,859</u>	<u>\$ 115,381,971</u>	<u>\$ 214,438,871</u>

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF NET ASSETS (Cont.)
 JUNE 30, 2006

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u> Activities	<u>Business-type</u> Activities	<u>Total</u>	<u>Jackson Energy</u> <u>Authority</u>
NET ASSETS				
Invested in fixed assets net of related debt	\$ 15,530,065	\$ 4,968,674	\$ 20,498,739	\$ 200,731,360
Restricted for:				
Self insurance	1,200,000	-	1,200,000	-
Fed Equitable Sharing	35,151	-	35,151	-
Sex offender	2,145	-	2,145	-
Drug litigation tax	282,999	-	282,999	-
Ag tag	11,596	-	11,596	-
State street aid	972,223	-	972,223	-
Capital projects	-	-	-	4,559,092
Debt service	-	-	-	11,863,036
Unrestricted, designated for:				
Inventory	209,903	-	209,903	-
Midnight Basketball	4,625	-	4,625	-
Traffic safety	96,457	-	96,457	-
Police equipment	3,747	-	3,747	-
Police memorial	284	-	284	-
Arts Council	11,187	-	11,187	-
Drug court	7,462	-	7,462	-
Keep Jackson Beautiful	15,713	-	15,713	-
Cypress Grove Nature Park	15,000	-	15,000	-
Soccer	(335)	-	(335)	-
Fishman Trust	240,253	-	240,253	-
Unrestricted	<u>36,765,316</u>	<u>16,339,818</u>	<u>53,105,134</u>	<u>35,707,319</u>
Total net assets	<u>\$ 55,403,791</u>	<u>\$ 21,308,492</u>	<u>\$ 76,712,283</u>	<u>\$ 252,860,807</u>

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	Total	
			Grants and Contributions	Capital Grants and Contributions				
Primary government								
Governmental activities:								
General government	\$ 29,751,784	\$ 1,218,345	\$ 744,664	\$ 164,502	\$ (27,624,273)	\$ -	\$ (27,624,273)	\$ -
Public safety	22,032,009	2,440,626	1,299,100	63,744	(18,228,540)	-	(18,228,540)	-
Public works	12,808,435	9,919,667	1,811,593	2,101,978	1,024,803	-	1,024,803	-
Public welfare and community service	6,120,410	1,929,265	202,482	1,215,814	(2,772,849)	-	(2,772,849)	-
Other	(6,902)	-	-	-	6,902	-	6,902	-
Interest on debt	2,838,425	-	-	-	(2,838,425)	-	(2,838,425)	-
Total governmental activities	73,544,162	15,507,903	4,057,839	3,546,038	(50,432,382)	-	(50,432,382)	-
Business-type activities:								
Solid waste	3,879,406	407,948	-	-	-	(3,471,458)	(3,471,458)	-
Jackson Transit Authority	2,876,373	1,481,788	16,639	319,025	-	(1,058,921)	(1,058,921)	-
Sportsplex	97,549	1,907,305	-	-	1,809,756	-	1,809,756	-
Community development	22,771	7,415	-	-	(15,356)	-	(15,356)	-
Total business-type activities	6,876,099	3,804,456	16,639	319,025	(2,735,979)	-	(2,735,979)	-
Total primary government	80,420,261	19,312,359	4,074,478	3,865,063	(50,432,382)	\$ -	(53,168,361)	\$ -
Component unit								
Jackson Energy Authority	\$ 191,806,905	\$ 191,991,643	\$ -	\$ 7,544,017				7,728,755
General revenues:								
Property taxes - levied for general government					25,141,328	-	25,141,328	-
In lieu of property taxes					3,530,620	-	3,530,620	-
Sales taxes					24,552,745	-	24,552,745	-
Franchise and excise taxes					637,933	-	637,933	-
Alcoholic beverage taxes					2,662,397	-	2,662,397	-
Business taxes					1,556,367	-	1,556,367	-
Income taxes					428,870	-	428,870	-
TVA taxes					435,140	-	435,140	-
Hotel-motel taxes					434,670	-	434,670	-
Rental and reimbursements					1,194,470	-	1,194,470	-
Other sources					(1,256,881)	6,259,941	5,003,060	(49,925)
Unrestricted grants and contributions					797,939	-	797,939	-
Unrestricted interest income					546,536	275,103	821,639	9,216,926
Transfers					(6,736,309)	6,736,309	-	-
Total general revenues and transfers					53,925,825	13,271,353	67,197,178	9,167,001
Changes in net assets					3,493,444	10,535,374	14,028,818	16,895,756
Net assets - beginning					51,910,347	10,706,705	62,617,052	237,407,305
Prior period adjustment - Note 6					-	66,413	66,413	(1,442,254)
Net assets - beginning - restated					51,910,347	10,773,118	62,683,465	235,965,051
Net assets - ending					\$ 55,403,791	\$ 21,308,492	\$ 76,712,283	\$ 252,860,807

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

CITY OF JACKSON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Debt Service	Capital Outlay	Solid Waste Collection	Industrial Development	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 27,815	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 27,915
Investments	4,940,372	860,602	4,992,832	891,381	-	453,444	12,138,631
Receivables:							
Interest	8,403	-	-	-	-	-	8,403
Taxes (net of allowance for uncollectible accounts)	18,493,334	9,271,637	-	-	-	-	27,764,971
Accounts (net of allowance for uncollectible accounts)	42,537	37,856	-	1,105,970	-	796	1,187,159
Grants	1,643,492	-	-	-	-	2,168	1,645,660
Intergovernmental	5,570,730	-	-	-	-	168,250	5,738,980
Court fines (net of allowance for uncollectible accounts)	273,891	-	-	-	-	102,080	375,971
Capital lease	136,754	-	-	-	-	-	136,754
Due from other funds	6,184,762	11,466	-	353,869	-	40,983	6,591,080
Inventories:							
Parts and supplies	147,119	-	-	-	-	-	147,119
Gasoline and diesel	55,982	-	-	-	-	-	55,982
For resale	6,802	-	-	-	-	-	6,802
Prepaid expenses	12,279	-	-	-	-	-	12,279
Advance to Jackson-Madison County Airport Authority	-	29,723	-	-	-	-	29,723
Total assets	\$ 37,544,272	\$ 10,211,284	\$ 4,992,832	\$ 2,351,220	\$ -	\$ 767,821	\$ 55,867,429
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,049,316	\$ -	\$ 1,148,768	\$ 409,327	\$ -	\$ 44,506	\$ 3,651,917
Due to other funds	377,603	81	153,036	-	3,650,802	9,140	4,190,662
Deferred revenue	273,891	-	-	-	-	-	273,891
Deferred revenue - intergovernmental	2,798,894	19,431	-	-	-	102,080	2,920,405
Deferred revenue - property taxes	18,356,971	9,225,871	-	-	-	-	27,582,842
Deferred revenue - capital lease	136,754	-	-	-	-	-	136,754
Payable to other governments	66,228	-	-	-	-	12,836	79,064
Customer deposits	-	-	-	50,939	-	-	50,939
Total liabilities	24,059,657	9,245,383	1,301,804	460,266	3,650,802	168,562	38,886,474
Fund balances:							
Restricted for:							
Self insurance	1,200,000	-	-	-	-	-	1,200,000
Fed Equitable Sharing	35,151	-	-	-	-	-	35,151
Sex offender	2,145	-	-	-	-	-	2,145
Drug litigation tax	282,999	-	-	-	-	-	282,999
Ag tag	11,596	-	-	-	-	-	11,596
State street aid	972,223	-	-	-	-	-	972,223
Unrestricted, designated for:							
Inventory	209,903	-	-	-	-	-	209,903
Midnight Basketball	4,625	-	-	-	-	-	4,625
Traffic safety	96,457	-	-	-	-	-	96,457
Police equipment	3,747	-	-	-	-	-	3,747
Police memorial	284	-	-	-	-	-	284
Arts Council	11,187	-	-	-	-	-	11,187
Drug court	7,462	-	-	-	-	-	7,462
Keep Jackson Beautiful	15,713	-	-	-	-	-	15,713
Cypress Grove Nature Park	15,000	-	-	-	-	-	15,000
Soccer	-	-	(335)	-	-	-	(335)
Fishman Trust	-	-	240,253	-	-	-	240,253
Unreserved - special revenue funds	-	-	-	-	-	567,002	567,002
Unreserved - capital projects funds	-	-	-	-	-	32,257	32,257
Unreserved, undesignated	10,616,123	965,901	3,451,110	1,890,954	(3,650,802)	-	13,273,286
Total fund balances	13,484,615	965,901	3,691,028	1,890,954	(3,650,802)	599,259	16,980,955
Total liabilities and fund balances	\$ 37,544,272	\$ 10,211,284	\$ 4,992,832	\$ 2,351,220	\$ -	\$ 767,821	\$ 55,867,429

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

CITY OF JACKSON, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Amounts reported for the governmental activities in the statement of net assets (Pages 21 - 23) are different because:

Fund balance - total governmental funds (Page 25)	\$ 16,980,955
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	108,764,616
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds	5,500,428
Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds	(345,043)
Long-term liabilities, including notes and bonds payable, are not due in the current period and, therefore, are not reported in the funds	<u>(75,497,165)</u>
Net assets - governmental activities (Page 24)	<u>\$ 55,403,791</u>

CITY OF JACKSON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General	Debt Service	Capital Outlay	Solid Waste Collection	Industrial Development	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 22,550,281	\$ 6,886,814	\$ -	\$ -	\$ -	\$ -	\$ 29,437,095
Licenses and permits	4,447,612	-	-	-	-	-	4,447,612
Fines, interest and penalties	1,539,071	-	-	-	-	182,429	1,721,500
Use of money and property	2,009,064	176,339	546,139	81,095	-	15,189	2,827,826
Intergovernmental	30,480,186	103,055	-	-	-	855,849	31,439,090
Sales and service charges	535,185	-	-	9,621,448	-	126,726	10,283,359
Other	528,026	-	1,732,461	-	-	36,555	2,297,042
Total revenues	<u>62,089,425</u>	<u>7,166,208</u>	<u>2,278,600</u>	<u>9,702,543</u>	<u>-</u>	<u>1,216,748</u>	<u>82,453,524</u>
Expenditures:							
Current:							
General government	28,788,018	-	556,886	-	-	-	29,344,904
Public safety	20,713,861	-	971,829	-	-	175,227	21,860,917
Public works	5,058,598	-	8,561,305	5,546,043	-	-	19,165,946
Public welfare and community services	5,980,332	-	420,096	-	-	912,671	7,313,099
Other	-	-	120,742	-	-	-	120,742
Capital Outlay:							
Public safety	-	-	-	-	-	50,822	50,822
Debt Service:							
Principal	-	3,442,000	-	-	-	-	3,442,000
Interest	-	2,789,038	-	-	-	93,984	2,883,022
Other	-	628	-	-	-	-	628
Total expenditures	<u>60,540,809</u>	<u>6,231,666</u>	<u>10,630,858</u>	<u>5,546,043</u>	<u>-</u>	<u>1,232,704</u>	<u>84,182,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,548,616</u>	<u>934,542</u>	<u>(8,352,258)</u>	<u>4,156,500</u>	<u>-</u>	<u>(15,956)</u>	<u>(1,728,556)</u>
Other financing sources (uses):							
Sale of notes	-	-	6,000,000	-	-	-	6,000,000
Operating transfers in	2,032,842	-	4,000,000	-	-	-	6,032,842
Capital lease payments	24,933	-	-	-	-	-	24,933
Operating transfers out	(500,000)	(4,000,000)	(6,902,579)	(4,503,238)	-	(30,000)	(15,935,817)
Total other financing sources (uses)	<u>1,557,775</u>	<u>(4,000,000)</u>	<u>3,097,421</u>	<u>(4,503,238)</u>	<u>-</u>	<u>(30,000)</u>	<u>(3,878,042)</u>
Net changes in fund balances	3,106,391	(3,065,458)	(5,254,837)	(346,738)	-	(45,956)	(5,606,598)
Fund balances - beginning	<u>10,378,224</u>	<u>4,031,359</u>	<u>8,945,865</u>	<u>2,237,692</u>	<u>(3,650,802)</u>	<u>645,215</u>	<u>22,587,553</u>
Fund balances - ending	<u>\$ 13,484,615</u>	<u>\$ 965,901</u>	<u>\$ 3,691,028</u>	<u>\$ 1,890,954</u>	<u>\$(3,650,802)</u>	<u>\$ 599,259</u>	<u>\$ 16,980,955</u>

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

CITY OF JACKSON, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Amounts reported for the governmental activities in the statement of activities (Page 24) are different because:

Net change in fund balances - total governmental funds (Page 27)	\$ (5,606,598)
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 in the current period. This is the amount by which depreciation exceeded capital outlays in the current period	7,173,546
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	4,473,253
Some expenses reported in the statement of activities, such as accrued leave and interest payable, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	11,243
The issuance of long-term debt provides current financial resources to governmental funds. These transactions do not have any effect on net assets	(6,000,000)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net assets	<u>3,442,000</u>
Change in net assets of governmental activities (Page 24)	<u>\$ 3,493,444</u>

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
 JUNE 30, 2006

ASSETS	Solid Waste	Jackson Transit Authority	Sportsplex	Community Development	Totals
Current assets:					
Cash and cash equivalents	\$ -	\$ 282,856	\$ -	\$ 485,097	\$ 767,953
Investments	12,099,711	-	5,473,059	-	17,572,770
Accounts receivable (net of allowance for uncollectible accounts)	3,024	90,977	111,700	-	205,701
Grants receivable	-	50,432	-	-	50,432
Due from other funds	-	-	-	23,143	23,143
Current maturities of long-term notes receivable	-	-	-	100,000	100,000
Inventory	-	49,421	-	-	49,421
Prepaid expenses	-	70,687	-	-	70,687
Total current assets	<u>12,102,735</u>	<u>544,373</u>	<u>5,584,759</u>	<u>608,240</u>	<u>18,840,107</u>
Noncurrent assets:					
Other assets:					
Foreclosed property	-	-	-	9,118	9,118
Long-term notes receivable	-	-	850,000	256,867	1,106,867
Total other assets	<u>-</u>	<u>-</u>	<u>850,000</u>	<u>265,985</u>	<u>1,115,985</u>
Capital assets (net of accumulated depreciation):					
Land	-	352,173	2,180,663	-	2,532,836
Buildings	-	1,327,235	-	-	1,327,235
Machinery and equipment	-	1,825,666	-	-	1,825,666
Furniture and fixtures	-	102,725	-	-	102,725
Construction in progress	-	-	8,331,878	-	8,331,878
Net capital assets	<u>-</u>	<u>3,607,799</u>	<u>10,512,541</u>	<u>-</u>	<u>14,120,340</u>
Total assets	<u>\$ 12,102,735</u>	<u>\$ 4,152,172</u>	<u>\$ 16,947,300</u>	<u>\$ 874,225</u>	<u>\$ 34,076,432</u>

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF NET ASSETS (Cont.)
PROPRIETARY FUNDS
 JUNE 30, 2006

	Solid Waste	Jackson Transit Authority	Sportsplex	Community Development	Totals
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 290,003	\$ 108,035	\$ 28,346	\$ 154,229	\$ 580,613
Due to other funds	268,110	-	2,185,971	-	2,454,081
Current maturities of long-term notes payable	-	-	844,543	-	844,543
Accrued expenses	-	68,769	-	-	68,769
Accrued leave	-	35,971	-	-	35,971
Total current liabilities	<u>558,113</u>	<u>212,775</u>	<u>3,058,860</u>	<u>154,229</u>	<u>3,983,977</u>
Noncurrent liabilities:					
Long-term notes payable	-	-	8,307,123	-	8,307,123
Accrued closure and post closure costs	476,840	-	-	-	476,840
Total noncurrent liabilities	<u>476,840</u>	<u>-</u>	<u>8,307,123</u>	<u>-</u>	<u>8,783,963</u>
Total liabilities	<u>1,034,953</u>	<u>212,775</u>	<u>11,365,983</u>	<u>154,229</u>	<u>12,767,940</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	3,607,799	1,360,875	-	4,968,674
Unrestricted	11,067,782	331,598	4,220,442	719,996	16,339,818
Total net assets	<u>11,067,782</u>	<u>3,939,397</u>	<u>5,581,317</u>	<u>719,996</u>	<u>21,308,492</u>
Total liabilities and net assets	<u>\$ 12,102,735</u>	<u>\$ 4,152,172</u>	<u>\$ 16,947,300</u>	<u>\$ 874,225</u>	<u>\$ 34,076,432</u>

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Solid Waste	Jackson Transit Authority	Sportsplex	Community Development	Totals
Operating revenues:					
Charges for services	\$ 94,834	\$ 475,137	\$ 100	\$ -	\$ 570,071
Appropriations from Madison County	332,904	-	-	-	332,904
Sponsorships	-	-	864,800	-	864,800
Reimbursements	-	-	1,000,000	-	1,000,000
Grant revenues	-	1,006,651	-	-	1,006,651
Other operating revenues	(19,790)	-	42,405	7,415	30,030
Total operating revenues	<u>407,948</u>	<u>1,481,788</u>	<u>1,907,305</u>	<u>7,415</u>	<u>3,804,456</u>
Operating expenses:					
Operation	3,664,745	2,032,338	97,549	22,771	5,817,403
Maintenance	73,096	391,596	-	-	464,692
Provision for depreciation	141,565	452,439	-	-	594,004
Total operating expenses	<u>3,879,406</u>	<u>2,876,373</u>	<u>97,549</u>	<u>22,771</u>	<u>6,876,099</u>
Operating income (loss)	<u>(3,471,458)</u>	<u>(1,394,585)</u>	<u>1,809,756</u>	<u>(15,356)</u>	<u>(3,071,643)</u>
Nonoperating revenues (expenses):					
Interest and other income	235,472	1,141	38,490	-	275,103
Gain (loss) on sale of capital assets	6,259,941	-	-	-	6,259,941
MPO grant revenues	-	16,639	-	-	16,639
Total nonoperating revenues (expenses)	<u>6,495,413</u>	<u>17,780</u>	<u>38,490</u>	<u>-</u>	<u>6,551,683</u>
Income (loss) before operating transfers	3,023,955	(1,376,805)	1,848,246	(15,356)	3,480,040
Operating transfers:					
Operating transfers in	<u>2,503,238</u>	<u>500,000</u>	<u>3,733,071</u>	<u>-</u>	<u>6,736,309</u>
Income (loss) before contributions	5,527,193	(876,805)	5,581,317	(15,356)	10,216,349
Capital contributions	<u>-</u>	<u>319,025</u>	<u>-</u>	<u>-</u>	<u>319,025</u>
Change in net assets	5,527,193	(557,780)	5,581,317	(15,356)	10,535,374
Total net assets - beginning	<u>5,540,589</u>	<u>4,430,764</u>	<u>-</u>	<u>735,352</u>	<u>10,706,705</u>
Prior period adjustment	<u>-</u>	<u>66,413</u>	<u>-</u>	<u>-</u>	<u>66,413</u>
Total net assets - beginning- restated	<u>5,540,589</u>	<u>4,497,177</u>	<u>-</u>	<u>735,352</u>	<u>10,773,118</u>
Total net assets - ending	<u>\$ 11,067,782</u>	<u>\$ 3,939,397</u>	<u>\$ 5,581,317</u>	<u>\$ 719,996</u>	<u>\$ 21,308,492</u>

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Solid Waste	Jackson Transit Authority	Sportsplex	Community Development	Totals
Cash flows from operating activities:					
Cash received from consumers	\$ 1,038,345	\$ 432,360	\$ 100	\$ 7,415	\$ 1,478,220
Cash received from other operations	(19,790)	45,670	945,505	-	971,385
Appropriations from Madison County	332,904	-	-	-	332,904
Appropriations from City	-	-	-	-	-
Cash paid to suppliers of goods and services	(3,402,493)	(624,220)	(69,203)	(26,945)	(4,122,861)
Cash paid to employees for services	(357,500)	(1,771,589)	-	-	(2,129,089)
Cash (paid to) received from other funds	496,835	-	2,185,971	114,948	2,797,754
Cash received from grants	-	1,167,562	-	-	1,167,562
Customer deposits refunded	-	-	-	-	-
Net cash provided (used) by operating activities	<u>(1,911,699)</u>	<u>(750,217)</u>	<u>3,062,373</u>	<u>95,418</u>	<u>495,875</u>
Cash flows from non-capital financing activities:					
Disbursements of community development loans	-	-	-	(126,984)	(126,984)
Principal collections of community development loans	-	-	-	73,753	73,753
Debt proceeds	-	-	9,151,666	-	9,151,666
Transfers in	2,503,238	500,000	3,733,071	-	6,736,309
Cash received from grants	-	16,691	-	-	16,691
Net cash provided (used) by non-capital financing activities	<u>2,503,238</u>	<u>516,691</u>	<u>12,884,737</u>	<u>(53,231)</u>	<u>15,851,435</u>
Cash flows from capital and related financing activities:					
Construction and acquisition of property and equipment	-	(206,964)	(10,512,541)	-	(10,719,505)
Proceeds from sale of capital assets	8,345,822	-	-	-	8,345,822
Capital contributed - City	-	319,025	-	-	319,025
Net cash provided (used) by capital and related financing activities	<u>8,345,822</u>	<u>112,061</u>	<u>(10,512,541)</u>	<u>-</u>	<u>(2,054,658)</u>
Cash flows from investing activities:					
Purchase of investments	(16,410,766)	-	(5,473,059)	-	(21,883,825)
Redeemed/matured investments	7,237,783	-	-	-	7,237,783
Interest earned	235,472	1,089	38,490	-	275,051
Net cash provided (used) by investing activities	<u>(8,937,511)</u>	<u>1,089</u>	<u>(5,434,569)</u>	<u>-</u>	<u>(14,370,991)</u>
Net increase (decrease) in cash and cash equivalents	(150)	(120,376)	-	42,187	(78,339)
Cash and cash equivalents - Beginning of year	150	403,232	-	442,910	846,292
Cash and cash equivalents - End of year	\$ -	\$ 282,856	\$ -	\$ 485,097	\$ 767,953
Cash and cash equivalents					
Unrestricted cash on hand	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted cash and cash equivalents on deposit	-	282,856	-	485,097	767,953
Total cash and cash equivalents	\$ -	\$ 282,856	\$ -	\$ 485,097	\$ 767,953

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF CASH FLOWS (Cont.)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Solid Waste	Jackson Transit Authority	Sportsplex	Community Development	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (3,471,458)	\$ (1,394,585)	\$ 1,809,756	\$ (15,356)	\$ (3,071,643)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	141,565	452,439	-	-	594,004
Change in closure/postclosure liability	(14,014)	-	-	-	(14,014)
(Increase) decrease in accounts receivable	943,511	167,694	(111,700)	-	999,505
(Increase) decrease in notes receivable	-	-	(850,000)	-	(850,000)
(Increase) decrease in inventory	-	(2,533)	-	-	(2,533)
(Increase) decrease in due from other funds	189,145	-	-	61,075	250,220
(Increase) decrease in prepaid expenses	-	(615)	-	-	(615)
Increase (decrease) in accounts payable and accrued expenses	(8,138)	27,383	28,346	(4,175)	43,416
Increase (decrease) in due to other funds	268,110	-	2,185,971	53,874	2,507,955
Net cash provided (used) by operating activities	<u>\$ (1,951,279)</u>	<u>\$ (750,217)</u>	<u>\$ 3,062,373</u>	<u>\$ 95,418</u>	<u>\$ 456,295</u>

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 JUNE 30, 2006

	<u>Robertson Trust Fund</u>	<u>Deferred Compensation Trust Fund</u>	<u>Totals</u>
ASSETS			
Investments	\$ 848,840	\$ 9,451,115	\$ 10,299,955
Due from other funds	<u>30,520</u>	<u>-</u>	<u>30,520</u>
Total assets	<u>\$ 879,360</u>	<u>\$ 9,451,115</u>	<u>\$ 10,330,475</u>
LIABILITIES			
Deferred compensation benefits payable	\$ -	\$ 9,451,115	\$ 9,451,115
Total liabilities	<u>-</u>	<u>9,451,115</u>	<u>9,451,115</u>
NET ASSETS			
Reserve for endowment	<u>879,360</u>	<u>-</u>	<u>879,360</u>
Total liabilities and net assets	<u>\$ 879,360</u>	<u>\$ 9,451,115</u>	<u>\$ 10,330,475</u>

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

CITY OF JACKSON, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Robertson Trust Fund</u>	<u>Deferred Compensation Trust Fund</u>	<u>Totals</u>
Additions:			
Other:			
Interest and investment income	\$ 30,520	\$ -	\$ 30,520
Increase (decrease) in FMV of investments	(25,703)	704,418	678,715
Employee contributions	-	773,844	773,844
Total additions	<u>4,817</u>	<u>1,478,262</u>	<u>1,483,079</u>
Deductions:			
General Government:			
Employee benefits	-	1,478,262	1,478,262
Total deductions	<u>-</u>	<u>1,478,262</u>	<u>1,478,262</u>
Change in net assets	4,817	-	4,817
Net assets - beginning	<u>874,543</u>	<u>-</u>	<u>874,543</u>
Net assets - ending	<u>\$ 879,360</u>	<u>\$ -</u>	<u>\$ 879,360</u>

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Revenues:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Taxes	\$ 22,357,049	\$ 22,357,049	\$ 22,550,281	\$ 193,232
Licenses and permits	4,025,400	4,025,400	4,447,612	422,212
Fines, interest and penalties	1,135,200	1,135,200	1,539,071	403,871
Use of money and property	1,398,765	1,398,765	2,009,064	610,299
Intergovernmental	33,157,987	33,572,549	30,480,186	(3,092,363)
Sales and service charges	486,050	486,050	535,185	49,135
Other	780,770	780,770	528,026	(252,744)
Total revenues	<u>63,341,221</u>	<u>63,755,783</u>	<u>62,089,425</u>	<u>(1,666,358)</u>
Expenditures:				
Current:				
General government	31,039,343	31,377,423	28,788,018	2,589,405
Public safety	22,360,460	22,536,942	20,713,861	1,823,081
Public works	5,642,297	5,642,297	5,058,598	583,699
Public welfare and community services	5,931,535	5,931,535	5,980,332	(48,797)
Total expenditures	<u>64,973,635</u>	<u>65,488,197</u>	<u>60,540,809</u>	<u>4,947,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,632,414)</u>	<u>(1,732,414)</u>	<u>1,548,616</u>	<u>3,281,030</u>
Other financing sources (uses):				
Operating transfers in from:				
Police Drug Fund	-	-	30,000	30,000
Capital Outlay Fund	-	-	2,842	2,842
Other funds	2,287,413	2,287,413	2,000,000	(287,413)
Capital lease receipts	-	-	24,933	24,933
Operating transfers out to:				
Jackson Transit Authority	(500,000)	(500,000)	(500,000)	-
Total other financing sources (uses)	<u>1,787,413</u>	<u>1,787,413</u>	<u>1,557,775</u>	<u>(229,638)</u>
Net changes in fund balances	<u>\$ 154,999</u>	<u>\$ 54,999</u>	<u>3,106,391</u>	<u>\$ 3,051,392</u>
Fund balance - beginning			<u>10,378,224</u>	
Fund balance - ending			<u>\$ 13,484,615</u>	

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Taxes:				
Property taxes	\$ 17,991,238	\$ 17,991,238	\$ 18,096,172	\$ 104,934
Tax equivalents:				
Electric Department	1,523,670	1,523,670	1,592,463	68,793
Water Department	220,000	220,000	229,964	9,964
Gas Department	797,400	797,400	802,184	4,784
Jackson Housing	23,959	23,959	19,999	(3,960)
St. Mary's Manor	4,043	4,043	4,043	-
Wesley	6,739	6,739	3,369	(3,370)
City beer tax	<u>1,790,000</u>	<u>1,790,000</u>	<u>1,802,087</u>	<u>12,087</u>
Total taxes	<u>22,357,049</u>	<u>22,357,049</u>	<u>22,550,281</u>	<u>193,232</u>
Licenses and permits:				
Automobile license	938,000	938,000	1,002,468	64,468
Less: County collection fees	(27,500)	(27,500)	(52,010)	(24,510)
Parking space rental	-	-	350	350
Mechanical permits	25,000	25,000	79,456	54,456
Building permits	300,000	300,000	595,450	295,450
Electric permits	40,000	40,000	63,328	23,328
Chauffeur permits	500	500	220	(280)
Development permits	25,000	25,000	28,325	3,325
Tradesman license fees	50,000	50,000	74,885	24,885
Business tax	1,630,000	1,630,000	1,556,367	(73,633)
Plumbing permits	30,000	30,000	67,123	37,123
Wholesale liquor tax	470,000	470,000	475,057	5,057
Beer privilege tax	25,000	25,000	21,950	(3,050)
Gas pipe fitters permits	20,000	20,000	29,180	9,180
Other review/evaluation fees	12,200	12,200	10,650	(1,550)
Liquor application fee	-	-	250	250
Moving permits	200	200	100	(100)
Other investigation fees	10,000	10,000	11,250	1,250
Mixed drink taxes	35,000	35,000	36,465	1,465
Sign permits	12,000	12,000	14,699	2,699
Hotel-motel tax	<u>430,000</u>	<u>430,000</u>	<u>432,049</u>	<u>2,049</u>
Total licenses and permits	<u>\$ 4,025,400</u>	<u>\$ 4,025,400</u>	<u>\$ 4,447,612</u>	<u>\$ 422,212</u>

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Fines, interest, and penalties:				
Police and city court revenue	\$ 508,200	\$ 508,200	\$ 628,835	\$ 120,635
City jail fees	2,000	2,000	2,931	931
Parking tickets	60,000	60,000	77,516	17,516
City sticker tickets	-	-	24,530	24,530
Privilege license and business tax penalties	25,000	25,000	18,441	(6,559)
Drug litigation tax	90,000	90,000	119,406	29,406
Delinquent real estate taxes, interest and penalties	450,000	450,000	665,872	215,872
Sex offender registration	-	-	1,540	1,540
Total fines, interest and penalties	<u>1,135,200</u>	<u>1,135,200</u>	<u>1,539,071</u>	<u>403,871</u>
Use of money and property:				
Rent income	-	-	39,884	39,884
Computer rental	-	-	4,310	4,310
Recreation revenue	11,000	11,000	11,491	491
Casey Jones Museum rent	-	-	8,092	8,092
Interest on investments	20,000	20,000	33,910	13,910
Vending machine commissions	-	-	5,493	5,493
T. R. White revenue	24,000	24,000	24,086	86
Westwood Community Center revenue	10,000	10,000	8,915	(1,085)
Bemis Community Center revenue	5,000	5,000	2,443	(2,557)
South Jackson Community Center revenue	3,500	3,500	2,120	(1,380)
Teen Recreational Program	-	-	158	158
Community education	10,000	10,000	17,199	7,199
NAIA Tournament	184,000	184,000	189,225	5,225
Athletics revenue	97,000	97,000	94,135	(2,865)
Tennis court revenues	20,000	20,000	26,617	6,617
Farmer's Market rent	20,000	20,000	25,107	5,107
Depot rent	1,700	1,700	975	(725)

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Use of money and property (cont.):				
Civil Defense rent	\$ 5,500	\$ 5,500	\$ 7,111	\$ 1,611
Ticket surcharges - Pringles Park	10,000	10,000	12,483	2,483
Building rentals - Jackson Centre	600,000	600,000	627,273	27,273
Jackson Centre revenue	145,665	145,665	506,628	360,963
Seat licensing fees - Pringles Park	30,000	30,000	30,000	-
Concerts/special events - Pringles Park	5,000	5,000	-	(5,000)
Parking - Pringles Park	-	-	20,607	20,607
Concessions	196,100	196,100	308,786	112,686
Swimming pool revenue	300	300	2,016	1,716
Total use of money and property	<u>1,398,765</u>	<u>1,398,765</u>	<u>2,009,064</u>	<u>610,299</u>
Intergovernmental:				
State of Tennessee:				
Excise tax	150,000	150,000	157,354	7,354
Income tax	300,000	300,000	428,870	128,870
Beer tax	35,000	35,000	29,659	(5,341)
Special petroleum tax	140,000	140,000	132,737	(7,263)
Sales tax	3,730,000	3,730,000	3,990,147	260,147
Restoration of state funding	300,000	300,000	-	(300,000)
Mixed drink tax	275,000	275,000	291,895	16,895
TVA tax	430,000	430,000	435,140	5,140
Law enforcement education grant	101,556	101,556	91,291	(10,265)
Fire protection education grant	63,600	63,600	47,600	(16,000)
Child and adult care food program grant	5,000	5,000	2,002	(2,998)
Ag tag fund	3,000	3,000	-	(3,000)
Arts community outreach grant	-	-	1,000	1,000
Gasoline tax	1,670,000	1,670,000	1,674,265	4,265
Highway maintenance	220,000	220,000	184,438	(35,562)
Madison County:				
Local sales tax apportioned	10,950,000	10,950,000	11,086,285	136,285
Local sales tax apportioned-JMCSS pass-through	9,125,000	9,125,000	9,238,556	113,556
Federal Government:				
Law enforcement grant	-	238,080	63,744	(174,336)
Drug court grant	88,754	88,754	78,158	(10,596)
Municipal planning office grant	127,147	127,147	164,639	37,492
OJP drug-free communities grant	29,000	29,000	9,743	(19,257)

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Intergovernmental (cont.):				
Federal Government (cont.):				
COPS grant	\$ 2,077,903	\$ 2,184,385	\$ 745,225	\$ (1,439,160)
COPS meth grant	100,000	100,000	11,795	(88,205)
Project Safe Neighborhoods grant	55,000	55,000	57,744	2,744
LWCF grant	13,000	13,000	(137)	(13,137)
Mitigation grant	2,944,027	2,944,027	1,215,814	(1,728,213)
LLEBG	-	-	149,034	149,034
Cops 'n More	-	-	10,010	10,010
TAEP grant	-	-	9,250	9,250
SART grant	-	70,000	58,223	(11,777)
Weed and Seed grant	225,000	225,000	115,705	(109,295)
Total intergovernmental	<u>33,157,987</u>	<u>33,572,549</u>	<u>30,480,186</u>	<u>(3,092,363)</u>
Sales and service charges:				
Supply sales	4,200	4,200	2,390	(1,810)
Plans review	105,000	105,000	119,808	14,808
Fire protection contracts & reports	300	300	621	321
Fire training fees	40,000	40,000	35,525	(4,475)
Board of Appeals fees	6,100	6,100	5,700	(400)
Accident report fees by police	26,000	26,000	24,348	(1,652)
Police security	85,000	85,000	185,895	100,895
Police program fees	18,100	18,100	16,430	(1,670)
Building code book sales	2,000	2,000	3,915	1,915
NAIA souvenir sales	5,000	5,000	-	(5,000)
JTA ticket sales commission	-	-	68	68
Business tax recording fees	12,000	12,000	14,225	2,225
Handling fees	4,000	4,000	4,622	622
Seniors program income	-	-	2,879	2,879
Planning Dept, maps and services	27,200	27,200	32,300	5,100
Zoning application fees	10,000	10,000	6,975	(3,025)
Reimbursement by property owners for sidewalk materials	100	100	21	(79)
Sidewalk repairs	2,500	2,500	-	(2,500)
Sale of merchandise and services	58,550	58,550	55,675	(2,875)
Sale of property-delinquent taxes	75,000	75,000	6,512	(68,488)
Seizures/forfeitures	-	-	171	171
Miscellaneous	5,000	5,000	17,105	12,105
Total sales and service charges	<u>\$ 486,050</u>	<u>\$ 486,050</u>	<u>\$ 535,185</u>	<u>\$ 49,135</u>

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Other revenues:				
CATV revenues	\$ 520,000	\$ 520,000	\$ 249,655	\$ (270,345)
Donations	10,500	10,500	10,667	167
House demolitions	-	-	18,639	18,639
Riverside Cemetery trust fund income	5,000	5,000	3,369	(1,631)
Sponsors- t-shirt uniforms	-	-	7,332	7,332
Insurance recoveries	20,000	20,000	18,725	(1,275)
Reimbursements	225,270	225,270	219,683	(5,587)
Cash over (short)	-	-	(44)	(44)
Total other revenues	<u>780,770</u>	<u>780,770</u>	<u>528,026</u>	<u>(252,744)</u>
Total revenues	<u>\$ 63,341,221</u>	<u>\$ 63,755,783</u>	<u>\$ 62,089,425</u>	<u>\$ (1,666,358)</u>

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
General Government Administration:				
Office of Mayor:				
Salaries	\$ 193,537	\$ 193,537	\$ 186,505	\$ 7,032
Operating	29,797	29,797	18,901	10,896
City Council:				
Salaries	86,149	86,149	84,778	1,371
Operating	13,430	13,430	11,647	1,783
Municipal Court:				
Salaries	341,784	341,784	363,607	(21,823)
Operating	26,830	26,830	20,275	6,555
Drug Treatment:				
Salaries	97,390	97,390	72,355	25,035
Operating	50,000	50,000	80,841	(30,841)
Legal Department:				
Operating	75,000	75,000	226,468	(151,468)
Planning and Zoning:				
Salaries	339,576	339,576	340,635	(1,059)
Operating	169,705	169,705	89,877	79,828
Code/Zoning Appeals Boards:				
Salaries and operating	400	400	75	325
Civil Service:				
Salaries and operating	1,900	1,900	1,600	300
Public buildings and services:				
Salaries - janitors	99,218	99,218	99,964	(746)
Operating	286,221	286,221	294,766	(8,545)
Revenue and finance:				
Salaries	240,026	240,026	235,054	4,972
Printing and binding	15,500	15,500	10,358	5,142
Publicity, subscriptions and dues	12,500	12,500	3,562	8,938
Auditing	52,850	52,850	48,900	3,950
Medical	110	110	80	30
Office supplies and postage	19,700	19,700	14,178	5,522
Insurance and bonding premiums	715,000	715,000	675,064	39,936
Travel	1,500	1,500	150	1,350
Auto	1,371	1,371	631	740
Office equipment maintenance	2,500	2,500	1,760	740
Other operating expenses	10,020	10,020	5,231	4,789
County Trustee/Clerk commission	246,500	246,500	251,443	(4,943)
Business tax commission paid to state	210,000	210,000	234,806	(24,806)

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
General Government Administration (cont.):				
Accounting:				
Salaries	\$ 212,823	\$ 212,823	\$ 209,141	\$ 3,682
Operating	17,587	17,587	9,442	8,145
Information systems:				
Salaries	298,840	298,840	294,659	4,181
Operating	244,628	244,628	135,521	109,107
Farmer's market:				
Salaries	77,946	77,946	76,760	1,186
Operating	34,375	34,375	34,453	(78)
Purchasing:				
Salaries	80,559	80,559	80,976	(417)
Operating	12,465	12,465	6,481	5,984
Building Department:				
Salaries	523,244	523,244	511,160	12,084
Operating	79,095	79,095	62,743	16,352
Risk management:				
Salaries	110,584	110,584	102,339	8,245
Operating	5,245	5,245	5,542	(297)
Housing Codes Enforcement:				
Salaries	115,395	115,395	115,952	(557)
Operating	142,477	142,477	89,759	52,718
Personnel:				
Salaries	138,782	138,782	141,099	(2,317)
Operating	33,250	33,250	14,296	18,954
Mitigation Grant:				
Operating	3,925,370	3,925,370	1,846,431	2,078,939
Miscellaneous expenditures:				
Contributions	150,000	250,000	240,989	9,011
Printing and postage	8,200	8,200	-	8,200
Damage claims and court costs	35,200	273,280	13,623	259,657
Municipal development	100,000	100,000	110,876	(10,876)
Payroll taxes	1,912,500	1,912,500	1,885,301	27,199
Group health insurance	3,392,519	3,392,519	3,420,785	(28,266)
Infectious disease policy	8,000	8,000	6,309	1,691
Group vision insurance	31,000	31,000	31,802	(802)
Group dental insurance	186,000	186,000	192,824	(6,824)

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
General Government Administration (cont.):				
Publicity and marketing	\$ 85,000	\$ 85,000	\$ 81,936	\$ 3,064
Legal fees	75,000	75,000	64,594	10,406
On-the-job injury	525,000	525,000	516,364	8,636
Employee education and training	30,000	30,000	31,076	(1,076)
Group life insurance	140,000	140,000	134,994	5,006
Employee benefits	307,000	307,000	230,015	76,985
Reappraisal costs	40,000	40,000	366,483	(326,483)
Retirement benefits	4,319,188	4,319,188	4,155,246	163,942
Unemployment insurance	75,000	75,000	42,643	32,357
Appropriation to Madison County	664,028	664,028	650,949	13,079
Appropriation to Airport Authority	26,290	26,290	12,890	13,400
Appropriation to Jackson-Madison County Schools	9,125,000	9,125,000	9,118,980	6,020
Appropriations to other agencies	288,969	288,969	273,800	15,169
Pass-through grant payments	29,000	29,000	9,743	19,257
Community Economic Development Commission	70,270	70,270	29,920	40,350
Tax sale	25,000	25,000	44,029	(19,029)
Sundry/other	-	-	11,582	(11,582)
Total General Government Administration	31,039,343	31,377,423	28,788,018	2,589,405
Public Safety:				
Police Department:				
Salaries	3,874,286	3,874,286	3,605,456	268,830
Operating	1,091,440	1,161,440	778,098	383,342
Patrol Department:				
Salaries	5,884,291	5,884,291	6,308,857	(424,566)
Operating	642,903	642,903	742,465	(99,562)
Police grant programs	2,346,431	2,452,913	1,078,144	1,374,769
Fire Department:				
Salaries	7,016,967	7,016,967	6,763,650	253,317
Operating	617,833	617,833	609,868	7,965
Animal control:				
Salaries	59,704	59,704	46,183	13,521
Operating	18,923	18,923	15,064	3,859
Occupational health and safety:				
Salaries	6,266	6,266	-	6,266

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Public Safety (cont.):				
Correctional administration:				
Salaries	\$ 10,300	\$ 10,300	\$ 8,886	\$ 1,414
Operating	6,000	6,000	9,338	(3,338)
Central dispatch operations:				
Salaries	681,363	681,363	663,280	18,083
Operating	103,753	103,753	84,572	19,181
Total Public Safety	<u>22,360,460</u>	<u>22,536,942</u>	<u>20,713,861</u>	<u>1,823,081</u>
Public Works:				
Engineer:				
Salaries	334,935	334,935	328,976	5,959
Operating	92,145	92,145	66,926	25,219
State Street Aid:				
Salaries	1,051,956	1,051,956	972,350	79,606
Operating	355,553	355,553	372,537	(16,984)
Street lighting	1,350,903	1,350,903	1,265,160	85,743
Street construction:				
Salaries	1,049,186	1,049,186	877,893	171,293
Operating	266,454	266,454	305,254	(38,800)
Street cleaning:				
Salaries	132,237	132,237	132,253	(16)
Operating	156,733	156,733	98,174	58,559
Jackson City Beautiful:				
Operating	36,670	36,670	11,200	25,470
Garage operations:				
Salaries	202,406	202,406	150,695	51,711
Operating	76,564	76,564	18,006	58,558
Traffic sign and signalization:				
Salaries	104,040	104,040	99,011	5,029
Operating	432,515	432,515	360,163	72,352
Total Public Works	<u>\$ 5,642,297</u>	<u>\$ 5,642,297</u>	<u>\$ 5,058,598</u>	<u>\$ 583,699</u>

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Public Welfare and Community Service:				
Recreation, parks and public property:				
Salaries	\$ 1,947,763	\$ 1,947,763	\$ 1,796,786	\$ 150,977
Operating	788,492	788,492	705,521	82,971
Direct assistance recreation grants	7,000	7,000	1,888	5,112
Westwood Community Center:				
Salaries	101,816	101,816	80,654	21,162
Operating	64,315	64,315	52,576	11,739
Bennett Community Center:				
Operating	-	-	24	(24)
South Jackson Community Center:				
Salaries	40,395	40,395	35,423	4,972
Operating	17,921	17,921	17,751	170
Pringles Park:				
Salaries	63,866	63,866	48,337	15,529
Operating	164,000	164,000	191,914	(27,914)
Cypress Grove Nature Park:				
Salaries	15,444	15,444	12,997	2,447
Operating	7,557	7,557	6,547	1,010
Depot:				
Salaries	59,317	59,317	61,275	(1,958)
Operating	22,495	22,495	14,454	8,041
Liberty Gardens:				
Operating	5,000	5,000	-	5,000
Riverside Cemetery:				
Operating	33,000	33,000	31,648	1,352
Salaries	796,392	796,392	772,529	23,863
Operating	1,151,530	1,151,530	1,469,454	(317,924)

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

CITY OF JACKSON, TENNESSEE
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Public Welfare and Community Service (cont.):				
T. R. White Sportsplex:				
Salaries	\$ 288,066	\$ 288,066	\$ 303,097	\$ (15,031)
Operating	132,034	132,034	151,115	(19,081)
Tennis Center:				
Salaries	21,216	21,216	20,137	1,079
Operating	13,775	13,775	14,892	(1,117)
Bemis Community Center:				
Salaries	11,680	11,680	8,714	2,966
Operating	9,691	9,691	7,549	2,142
Treemendous projects	7,970	7,970	3,651	4,319
NAIA tournament:				
Operating	<u>160,800</u>	<u>160,800</u>	<u>171,399</u>	<u>(10,599)</u>
Total Public Welfare and Community Service	<u>5,931,535</u>	<u>5,931,535</u>	<u>5,980,332</u>	<u>(48,797)</u>
Total expenditures	<u>\$ 64,973,635</u>	<u>\$ 65,488,197</u>	<u>\$ 60,540,809</u>	<u>\$ 4,947,388</u>

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

CITY OF JACKSON, TENNESSEE
SOLID WASTE COLLECTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Use of money and property:				
Interest earned	\$ 109,285	\$ 109,285	\$ 81,095	\$ (28,190)
Sales and service charges:				
Mowing charges	3,500	3,500	4,659	1,159
Garbage collection revenue	<u>8,200,000</u>	<u>8,200,000</u>	<u>9,616,789</u>	<u>1,416,789</u>
Total revenues	<u>8,312,785</u>	<u>8,312,785</u>	<u>9,702,543</u>	<u>1,389,758</u>
Expenditures:				
Current:				
Public Works:				
Salaries	351,295	351,295	358,731	(7,436)
Employee benefits	95,000	95,000	106,528	(11,528)
Materials and supplies	23,500	23,500	15,928	7,572
Motor vehicle	55,500	55,500	102,974	(47,474)
Communication and transportation	2,000	2,000	2,193	(193)
Uniforms and clothing	1,500	1,500	1,569	(69)
Utilities and telephone	6,000	6,000	2,471	3,529
Professional services	10,000	10,000	5,385	4,615
Insurance	2,500	2,500	-	2,500
Bad debt expense	-	-	62,798	(62,798)
Marketing	10,000	10,000	-	10,000
Postage	9,000	9,000	7,758	1,242
Printing	4,000	4,000	83	3,917
Repair and maintenance	4,000	4,000	2,191	1,809
Residential garbage charges	2,056,000	2,056,000	2,385,991	(329,991)
Commercial garbage charges	<u>2,755,000</u>	<u>2,755,000</u>	<u>2,491,443</u>	<u>263,557</u>
	<u>5,385,295</u>	<u>5,385,295</u>	<u>5,546,043</u>	<u>(160,748)</u>
Capital outlay	-	-	-	-
Total expenditures	<u>5,385,295</u>	<u>5,385,295</u>	<u>5,546,043</u>	<u>(160,748)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,927,490</u>	<u>2,927,490</u>	<u>4,156,500</u>	<u>1,229,010</u>
Other financing sources (uses):				
Operating transfers to other funds	<u>(2,927,490)</u>	<u>(2,927,490)</u>	<u>(4,503,238)</u>	<u>(1,575,748)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(346,738)</u>	<u>\$ (346,738)</u>
Fund balance - beginning			<u>2,237,692</u>	
Fund balance - ending			<u>\$ 1,890,954</u>	

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

CITY OF JACKSON, TENNESSEE
INDUSTRIAL DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Interest earnings	\$ -	\$ -	\$ -	\$ -
Sale of land	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital Outlay				
Land acquisition	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			<u>(3,650,802)</u>	
Fund balance - ending			<u>\$ (3,650,802)</u>	

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

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Jackson, Tennessee (the City), is a municipal corporation governed by an elected mayor and nine-member council and provides the following services as authorized by its charter: public safety (police and fire), building inspection, planning and zoning, street maintenance, sanitation, cemetery maintenance, health, parks and recreation, and general administrative services. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City's discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)

The City reports the following major governmental funds:

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

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The capital outlay fund is used to account for capital asset acquisition and construction of all funds of the City except for infrastructures financed through the Sportsplex Fund.

The solid waste collection fund is used to account for funds received from commercial and residential garbage collections. Use of the funds is limited to expenditures for the activities of the City's Health and Sanitation Department and the Solid Waste Fund.

The industrial development fund is used to account for the acquisition and construction of the Tiger Jones Technology Park.

The City reports the following major proprietary funds:

The solid waste fund accounts for funds received from landfill fees, solid waste related grant revenues and the reimbursement from Madison County for one-half of the operating costs of the landfill. Use of the funds is limited to expenditures for the recycling of solid waste and for providing a solid waste landfill for the disposal of solid waste.

The Sportsplex fund is used to account for the activities of the City's seventeen-field baseball/softball complex.

The community development fund is used to account for federal, state, and local funds received by the City which are restricted to developing viable living communities, providing decent housing and a suitable living environment, providing emergency shelters for the homeless and expanding economic opportunities principally for persons of low and moderate income.

Jackson Transit Authority accounts for the activities of the City's urban transit. The management of the Jackson Transit Authority is vested in a board of directors consisting of seven members, all of whom are elected by the City Council upon the Mayor's recommendation, for five year terms. Jackson Transit Authority is a blended component unit of the City.

Jackson Energy Authority is responsible for planning, acquiring, constructing, improving, furnishing, equipping, financing, owning, operating, and maintaining electric, gas, water, wastewater, and telecommunications utilities systems within or outside the corporate limits of the City, and other such utility systems as a municipal water, wastewater, gas, telecommunications, or electric utility is authorized by the general laws of the State of Tennessee to own or operate. On September 10, 2003, Jackson Energy Authority issued \$54,300,000 in adjustable rate revenue bonds. Concurrent to this bond issue, the City issued a debt service guaranty agreement in which it unconditionally guarantees the debt of the entity in the event that the Authority defaults on the debt. Jackson Energy Authority is a discretely presented component unit of the City.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)

Complete financial statements of the component units discussed above can be obtained from their respective administrative offices at the following addresses:

Jackson Transit Authority
241 E. Deaderick Street
Jackson, Tennessee 38301

Jackson Energy Authority
119 E. College Street
Jackson, Tennessee 38301

Additionally, the City reports the following fund types:

The expendable trust fund is used to account for assets held for employees in accordance with the provisions of Internal Revenue Service Code Section 457. The expendable trust fund of the City is the deferred compensation fund.

The permanent trust fund is used to account for principal amounts received and related interest income, which may be used to provide recreational services and facilities to the citizens of Jackson. The City's permanent trust fund is the Robertson Trust fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, and sewer funds are charges for sales to customers for sales and service. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary 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, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit and other time deposits with a term of less than three months. Cash resources of all governmental funds are pooled and are invested to the extent possible in certificates of deposit. All interest earned on this pool is allocated to the General Fund except where legal restrictions require the earnings to be allocated to the source from which the cash originated.

State statutes authorize the City to invest in certificates of deposit, obligations of the U. S. Treasury, agencies and instrumentalities, obligations guaranteed by the U. S. Government or its agencies, repurchase agreements and the state's investment pool.

Investments for the City, as well as for its component units, are reported at fair value. The State Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts. Bad debts in the proprietary funds are recorded by the direct write-off method.

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through December in the year of the tax levy. Taxes uncollected at October 31 of the succeeding year are submitted to the Chancery Court for collection. Discounts are allowed to taxpayers for early payment of property taxes.

All trade receivables are shown net of an allowance for uncollectibles if management's evaluation of credit risk determined such an allowance was necessary.

Inventories and Prepaid Items

Inventories in the governmental funds are valued at cost, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Inventories in the proprietary funds are valued at the lower of average cost or market using the FIFO method.

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

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Capital Assets

Capital assets, which include property, plant, and 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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. All land, construction in progress, and works of art will be included. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. 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 is included as part of the capitalized value of the assets constructed.

Capital assets of the City, as well as the component units, are depreciated using the straight line method over the following useful lives:

Buildings	15 - 40 years	Infrastructure	12 - 40 years
Improvements other than buildings	20 years	Furniture and fixtures	5 - 15 years
Machinery and equipment	3 - 20 years		

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2006, but were not available to finance expenditures for the year ended June 30, 2006. Deferred revenues primarily include unearned or unavailable revenues.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absences are accrued when incurred in proprietary funds and reported as a fund liability. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay them.

Employees of the City may accumulate up to 22 1/2 days of annual leave, which is fully vested, and 75 days of sick leave, which is not vested. Sick leave time accumulated over 75 days is paid to the employees at the rate of 50% regular pay upon normal retirement. Employees leaving the employment of the City for any reason other than retirement have no vested interest in sick leave over 75 days.

Employees of the Jackson Transit Authority (JTA) may accumulate up to 30 days of annual leave based on longevity of service which is fully vested. The sick leave policy was changed in November 1995 to allow all salaried employees who leave in good standing with JTA and who give a minimum of two weeks notice to receive 80 hours of sick leave at full pay plus one-half of all their sick leave over 80 hours.

Accrued compensated absences at June 30, 2006, are:

City of Jackson	\$2,001,735
Jackson Transit Authority	35,971

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

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. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Fund Equity

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

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The reconciliation of the balance sheet of governmental funds to the statement of net assets includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$75,497,165 are as follows:

Bonds payable	\$ 19,773,334
Notes payable	53,722,096
Compensated absences payable	<u>2,001,735</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 75,497,165</u>

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont.)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 in the current period." The details of this \$7,173,546 difference are as follows:

Capital outlay	\$ 12,223,181
Depreciation expense	<u>(5,049,635)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 7,173,546</u>

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$4,473,253 difference are as follows:

Change in deferred court fine revenue	\$ 77,408
Loss on disposal of assets	(1,076,048)
Reimbursements not recorded as revenue	(544,707)
Transfer of debt from governmental fund to business-type fund	3,166,666
State shared revenue received in August 2005	(2,244,419)
State shared revenue received in August 2006	2,621,306
Change in property taxes	371,069
Capital contributions for fixed asset additions	<u>2,101,978</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,473,253</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital project funds, and certain proprietary funds. As an extension of the budget process, City Council may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. All annual appropriations lapse at fiscal year end. Legal level of budgetary control exists at the major function level in the General Fund and at the fund level for all other funds.

Encumbrances, when present, represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

For the year ended June 30, 2006, expenditures and other financing sources exceeded appropriations in the Solid Waste Collection fund in the amount of \$1,736,496.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont.)

B. Deficit Fund Equity

The Industrial Development fund has deficit fund equity of \$3,650,802 and the Nutrition fund has deficit fund equity of \$593. These are expected to be recovered through future revenues.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" for financial reporting of deposit and investment risks.

At June 30, 2006, investments of the City consisted of the following:

	<u>Weighted Average Maturity (Months)</u>	<u>Fair Value or Carrying Amount</u>
U.S. Government agency securities	16	\$ 848,840
U.S. Government agency bonds	10-38	4,980,210
Deferred Compensation Fund	N/A	9,451,115
Local Government Investment Pools	N/A	<u>24,731,191</u>
		<u>\$ 40,011,356</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rate risks, the City generally limits its investments to those with maturities of one year or less. The City's investment portfolio did not experience a significant fluctuation in fair value during the year.

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2006, all bank deposits were fully collateralized or insured.

Credit Risk

The City's policies are designed to maximize investment earnings, while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. At June 30, 2006, the City's investments in U.S. Government agency securities include Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Federal Agriculture Mortgage Corporation bonds, which were rated AAA by Standard & Poor's or Aaa by Moody's Investor Services.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)

B. Receivables

Receivables as of the year end for the government's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Solid Waste Collection	Solid Waste	Sportsplex	Jackson Transit Authority	Nonmajor and Other Funds	Total
Receivables:								
Taxes	\$ 19,208,108	\$ 9,511,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,719,640
Interest	8,403	-	-	-	-	-	-	8,403
Accounts	42,537	37,856	1,176,259	3,776	111,700	111,775	796	1,484,699
Grants	1,643,492	-	-	-	-	50,432	2,168	1,696,092
Intergovernmental	5,570,730	-	-	-	-	-	168,250	5,738,980
Court fines	2,310,090	-	-	-	-	-	860,980	3,171,070
Capital lease	136,754	-	-	-	-	-	-	136,754
Gross receivables	28,920,114	9,549,388	1,176,259	3,776	111,700	162,207	1,032,194	40,955,638
Less: Allowance for uncollectibles	(2,750,973)	(239,895)	(70,289)	(752)	-	(20,798)	(758,900)	(3,841,607)
Net total receivables	<u>\$ 26,169,141</u>	<u>\$ 9,309,493</u>	<u>\$ 1,105,970</u>	<u>\$ 3,024</u>	<u>\$ 111,700</u>	<u>\$ 141,409</u>	<u>\$ 273,294</u>	<u>\$ 37,114,031</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

2006 property tax assessment	\$ 25,216,445
Delinquent property taxes	2,366,398
Grant revenues considered to be deferred revenues	197,018
State shared revenue received in August	2,621,306
Capital lease receivable	136,754
Court fines receivable	375,971
Total deferred revenue for governmental funds	<u>\$ 30,913,892</u>

The advances to other governments are as follows at June 30, 2006:

Jackson-Madison County Airport Authority, interest at 7.5%, payable in monthly payments of \$3,026 through December 2006	\$ 18,481
Jackson-Madison County Airport Authority, interest at 7%, payable in monthly payments of \$950 through June 2007	11,242
	<u>\$ 29,723</u>

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Sportsplex	\$ 82,378
Metro Drug	General	31,193
Police Drug	General	9,790
Solid Waste Collection	General	353,869
Robertson Trust Fund	General	30,520
Community Development	General	23,143
General	Nutrition	593
General	Industrial Development	3,650,802
General	Urban Interchange	8,547
General	Debt Service	70,912
General	Debt Service	81
General	Capital Outlay	153,036
General	Solid Waste	268,110
General	Sportsplex	<u>2,103,593</u>
Total		<u>\$ 6,786,567</u>

The outstanding balances between funds result mainly 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. All interfund transfers were consummated within the normal operations of the City. The City intends to repay all interfund liabilities within the next fiscal year.

Interfund transfers are used to 1) move revenues from the funds with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)**C. Interfund Receivables, Payables, and Transfers (Cont.)**

Interfund transfers during the year ended June 30, 2006, were as follows:

Transfer Out:	Transfer In:						Total
	General	Debt Service	Capital Outlay	Solid Waste	Sportsplex	Jackson Transit Authority	
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000
Debt Service	-	-	4,000,000	-	-	-	4,000,000
Capital Outlay	2,842	3,166,666	-	-	3,733,071	-	6,902,579
Solid Waste Collection	2,000,000	-	-	2,503,238	-	-	4,503,238
Nonmajor Governmental Funds	30,000	-	-	-	-	-	30,000
	<u>\$ 2,032,842</u>	<u>\$ 3,166,666</u>	<u>\$ 4,000,000</u>	<u>\$ 2,503,238</u>	<u>\$ 3,733,071</u>	<u>\$ 500,000</u>	<u>\$ 15,935,817</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 17,602,266	\$ 2,141,698	\$ 857,301	\$ 18,886,663
Total capital assets, not being depreciated	<u>17,602,266</u>	<u>2,141,698</u>	<u>857,301</u>	<u>18,886,663</u>
Capital assets, being depreciated				
Buildings	57,881,457	6,547,591	1,004,747	63,424,301
Improvements other than buildings	1,837,173	-	-	1,837,173
Machinery and equipment	18,862,287	1,450,528	330,073	19,982,742
Infrastructure	58,852,877	4,171,608	-	63,024,485
Total capital assets, being depreciated	<u>137,433,794</u>	<u>12,169,727</u>	<u>1,334,820</u>	<u>148,268,701</u>
Less accumulated depreciation for:				
Buildings	22,458,358	1,624,020	163,475	23,918,903
Improvements other than buildings	408,579	34,923	-	443,502
Machinery and equipment	12,633,988	1,551,531	271,136	13,914,383
Infrastructure	18,274,799	1,839,161	-	20,113,960
Total accumulated depreciation	<u>53,775,724</u>	<u>5,049,635</u>	<u>434,611</u>	<u>58,390,748</u>
Total capital assets, being depreciated, net	<u>83,658,070</u>	<u>7,120,092</u>	<u>900,209</u>	<u>89,877,953</u>
Governmental activities capital assets, net	<u>\$ 101,260,336</u>	<u>\$ 9,261,790</u>	<u>\$ 1,757,510</u>	<u>\$ 108,764,616</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 709,462	\$ 2,180,663	\$ 357,289	\$ 2,532,836
Construction in progress	-	8,331,878	-	8,331,878
Total capital assets not being depreciated	<u>\$ 709,462</u>	<u>\$ 10,512,541</u>	<u>\$ 357,289</u>	<u>\$ 10,864,714</u>

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)

D. Capital Assets (Cont.)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities (Cont.):				
Capital assets, being depreciated				
Buildings	\$ 1,952,952	\$ 37,887	\$ 241,626	\$ 1,749,213
Improvements other than buildings	4,628,682	-	4,628,682	-
Machinery and equipment	6,651,360	150,474	2,507,837	4,293,997
Furniture and fixtures	<u>379,285</u>	<u>18,603</u>	<u>43,105</u>	<u>354,783</u>
Total capital assets being depreciated	<u>13,612,279</u>	<u>206,964</u>	<u>7,421,250</u>	<u>6,397,993</u>
Less accumulated depreciation for:				
Buildings	448,811	46,923	73,756	421,978
Improvements other than buildings	1,167,185	72,323	1,239,508	-
Machinery and equipment	3,964,062	443,270	1,939,001	2,468,331
Furniture and fixtures	<u>258,396</u>	<u>31,488</u>	<u>37,826</u>	<u>252,058</u>
Total accumulated depreciation	<u>5,838,454</u>	<u>594,004</u>	<u>3,290,091</u>	<u>3,142,367</u>
Total capital assets, being depreciated, net	<u>7,773,825</u>	<u>(387,040)</u>	<u>4,131,159</u>	<u>3,255,626</u>
Business-type activities capital assets, net	<u>\$ 8,483,287</u>	<u>\$ 10,125,501</u>	<u>\$ 4,488,448</u>	<u>\$ 14,120,340</u>

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

Governmental activities:	
General government	\$ 2,278,091
Public safety	1,151,005
Public works	484,177
Public welfare and community service	<u>1,136,362</u>
Total depreciation expense - governmental activities	<u>\$ 5,049,635</u>
Business-type activities:	
Solid waste	\$ 141,565
Jackson Transit Authority	<u>452,439</u>
Total depreciation expense - business-type activities	<u>\$ 594,004</u>

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)

E. Operating Leases

During the year ending June 30, 2006, the City entered into an operating lease for the use of a Kyocera copy machine. The lease requires thirty-six (36) monthly payments of \$105, with a maturity date of March 27, 2009. The total lease expense of this lease for the year ended June 30, 2006, was \$315.

The City also entered into another lease agreement during the year ending June 30, 2006, for the use of a Kyocera copy machine. This lease has a maturity date of February 23, 2009, and requires thirty-six (36) monthly payments of \$225. The total lease expense of this lease for the year ended June 30, 2006, was \$900.

The City entered into a third lease agreement for the use of a Kyocera copy machine during the year ending June 30, 2006. This lease requires thirty-six (36) monthly payments of \$249, with a maturity date of February 23, 2009. The total lease expense on this lease was \$996 for the year ended June 30, 2006.

During the year ending June 30, 2006, the City entered into a fourth operating lease for the use of a Kyocera copy machine. The lease requires thirty-six (36) monthly payments of \$249, with a maturity date of March 3, 2009. The total lease expense of this lease for the year ended June 30, 2006, was \$996.

The City entered into a fifth lease agreement for the use of a Kyocera copy machine during the year ending June 30, 2006. This lease requires thirty-six (36) monthly payments of \$267, with a maturity date of February 1, 2009. The total lease expense on this lease was \$1,068 for the year ended June 30, 2006.

The City entered into a sixth lease agreement for the use of a Kyocera copy machine during the year ending June 30, 2006. This lease requires thirty-six (36) monthly payments of \$177, with a maturity date of March 13, 2009. The total lease expense on this lease was \$531 for the year ended June 30, 2006.

The City entered into a seventh lease agreement for the use of a Kyocera copy machine during the year ending June 30, 2006. This lease requires thirty-six (36) monthly payments of \$249, with a maturity date of April 17, 2009. The total lease expense on this lease was \$498 for the year ended June 30, 2006.

During the year ending June 30, 2004, the City entered into an operating lease for the use of a Kyocera copy machine. The lease requires thirty-six (36) monthly payments of \$393, with a maturity date of May 25, 2007. The total lease expense of this lease for the year ended June 30, 2006, was \$4,716.

The City also entered into another lease agreement during the year ending June 30, 2004, for the use of a Canon copy machine. This lease has a maturity date of October 31, 2006, and requires thirty-six (36) monthly payments of \$404. The total lease expense of this lease for the year ended June 30, 2006, was \$4,848.

The City entered into a third lease agreement for the use of a Kyocera copier/scanner during the year ending June 30, 2004. This lease requires thirty-six (36) monthly payments of \$265, with a maturity date of January 6, 2007. The total lease expense on this lease was \$3,180 for the year ended June 30, 2006.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)

E. Operating Leases (Cont.)

The future minimum lease payments are as follows:

Year Ending June 30	Amount
2007	\$ 25,781
2008	18,252
2009	13,197
Total	<u>\$ 57,230</u>

F. Capital Lease Receivable

During the year ending June 30, 2005, the City entered into a capital lease agreement for the leasing of fifty golf carts to a local golf course within the City. The leasing arrangement was initiated June 7, 2005, and calls for monthly lease payments to be received of \$2,078 with a maturity date of June 7, 2012. At the end of the lease term, the golf course will have the option of purchasing the carts for \$1 each. The future lease payments to be received by the City during the term of the lease is as follows:

Year Ending June 30	Amount
2007	\$ 24,936
2008	24,936
2009	24,936
2010	24,936
2011	24,936
Thereafter	12,074
Total	<u>\$ 136,754</u>

G. Note Receivable

During the year ended June 30, 2006, the City entered into a Joint Development Agreement with a local real estate developer to develop acreage adjacent to the baseball/softball complex under construction. Under the terms of this agreement, the City holds a note receivable in the amount of \$1,000,000, which was initiated to reimburse the City for road construction and improvements in the area around the Sportsplex. The note holds a maturity date of July 1, 2014, and is to be paid at the rate of \$21,250 per acre for each acre that is subsequently developed and sold by the local developer. The balance of this note receivable at June 30, 2006, was \$850,000.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)

H. Long-term Debt

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities.

General obligation debt at June 30, 2006, is comprised of the following:

Bonds Payable:

General Obligation Refunding and Improvement Bonds, Series 1997, original issue was \$35,730,000 due in annual installments through 2017, interest at 4.00% to 5.125%.	\$ 22,940,000
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Notes Payable:

General Obligation Capital Outlay Extension Notes, original issue was \$6,000,000, payable in annual installments beginning 2001 through 2008, interest at 3.83%	2,598,800
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General Obligation Refunding and Capital Outlay Extension Notes, original issue was \$23,595,000, payable in annual installments beginning 2002 through 2016, variable interest estimated at 3.31%	20,485,000
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General Obligation Refunding and Capital Outlay Extension Notes, original issue was \$10,000,000, payable in annual installments beginning 2005 through 2012, variable interest estimated at 3.31%	10,000,000
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General Obligation Refunding and Capital Outlay Extension Notes, original issue \$25,000,000, of which \$20,638,296 had been drawn at June 30, 2006, payable in annual installments beginning 2008 through 2021, variable interest estimated at 3.70%	20,638,296
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General Obligation Capital Outlay Note Series 2006, original issue was \$1,995,000, payable in annual installments beginning 2007 through 2018, variable interest estimated at 5.16%	1,995,000
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General Obligation Capital Outlay Note Series 2006-A, original issue was \$1,995,000, payable in annual installments beginning 2007 through 2018, variable interest estimated at 5.16%	1,995,000
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General Obligation Capital Outlay Note Series 2006-B, original issue was \$1,995,000, payable in annual installments beginning 2007 through 2018, variable interest estimated at 5.16%	<u>1,995,000</u>
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\$ 82,647,096

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)

H. Long-term Debt (Cont.)

The annual requirements to amortize all general long-term debt, except compensated absences, at June 30, 2006, including interest payments of \$21,793,122 are as follows:

Fiscal Year Ending	Notes		General Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 5,324,300	\$ 2,568,278	\$ 2,505,000	\$ 1,128,164	\$ 7,829,300	\$ 3,696,442
2008	6,541,000	2,337,991	2,505,000	1,015,439	9,046,000	3,353,430
2009	5,603,250	2,046,384	2,555,000	898,956	8,158,250	2,945,340
2010	5,993,250	1,797,714	2,650,000	777,594	8,643,250	2,575,308
2011	6,183,250	1,532,230	2,800,000	645,094	8,983,250	2,177,324
2012-2016	20,126,250	4,453,935	8,500,000	1,472,438	28,626,250	5,926,373
2017-2021	9,935,796	1,045,874	1,425,000	73,031	11,360,796	1,118,905
	<u>\$ 59,707,096</u>	<u>\$ 15,782,406</u>	<u>\$ 22,940,000</u>	<u>\$ 6,010,716</u>	<u>\$ 82,647,096</u>	<u>\$ 21,793,122</u>

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 25,905,000	\$ -	\$ 6,131,666	\$ 19,773,334	\$ 2,159,207
Capital outlay notes	48,199,096	6,000,000	477,000	53,722,096	4,825,550
Compensated absences	1,982,145	19,590	-	2,001,735	-
	<u>\$ 76,086,241</u>	<u>\$ 6,019,590</u>	<u>\$ 6,608,666</u>	<u>\$ 75,497,165</u>	<u>\$ 6,984,757</u>
Business-type activities:					
General obligation bonds	\$ -	\$ 3,166,666	\$ -	\$ 3,166,666	\$ 345,793
Capital outlay notes	-	5,985,000	-	5,985,000	498,750
Compensated absences	33,255	2,716	-	35,971	-
Accrued closure/postclosure	2,893,422	-	2,416,582	476,840	-
	<u>\$ 2,926,677</u>	<u>\$ 9,154,382</u>	<u>\$ 2,416,582</u>	<u>\$ 9,664,477</u>	<u>\$ 844,543</u>

Within the City's governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 5 - OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto and bus liability, property, and errors and omissions coverage. The City joined the Tennessee Municipal League Risk Management Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for the above policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claims history.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 5 - OTHER INFORMATION (Cont.)

A. Risk Management (Cont.)

It is the policy of the City to purchase commercial insurance for the risk of employee dishonesty and aviation insurance. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years.

The City self-insures its employee health, dental and vision insurance program. The City collects insurance premiums from its employees, and pays all claims made along with an administration fee to Blue Cross/Blue Shield of Tennessee, the plan administrator. The City, as a part of the plan, has purchased a reinsurance policy that pays 80% of the claims made by an individual within one year in excess of \$100,000 and less than \$1,000,000.

At June 30, 2006, the estimated liability for claims incurred but not paid was (\$66,589). Changes in liability for the last five fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2001-2002	\$ (234,768)	\$ 4,180,467	\$ 4,497,840	\$ (552,141)
2002-2003	(552,141)	4,788,604	4,621,564	(385,101)
2003-2004	(385,101)	5,414,766	4,594,645	435,020
2004-2005	435,020	4,646,307	5,172,918	(91,591)
2005-2006	(91,591)	4,977,878	4,952,876	(66,589)

The City is self-insured regarding workers' compensation insurance. The City's health insurance plan will pay for any medical expenses incurred by the employee if he is a member of the health plan, a group life policy is maintained that pays the beneficiary an amount equal to one year salary and the pension plan through Tennessee Consolidated Retirement System contains some provisions for disability and early retirement. All risks associated with workers' compensation insurance concerning the coverage mentioned above are assumed by the City. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At June 30, 2006, the estimated liability for claims incurred but not paid was \$29,858.

Changes in liability for the last five fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2001-2002	\$ 18,832	\$ 56,168	\$ 42,851	\$ 32,149
2002-2003	32,149	42,851	151,591	(76,591)
2003-2004	(76,591)	214,091	524,588	(387,088)
2004-2005	(387,088)	837,088	512,569	(62,569)
2005-2006	(62,569)	587,569	495,142	29,858

No designation of assets has been made by the City to fund future claims liabilities. However, the General Fund balance has been reserved in the amount of \$1,200,000 for possible future claims.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 5 - OTHER INFORMATION (Cont.)

B. Subsequent Events

In October 2006, the City Council approved the proposed annexation of 49 tracts of land in North Madison County. These tracts will bring an additional 7,654 acres and 2,771 new residents into the City.

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. 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 City expects such amounts, if any, to be immaterial.

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

During the year ended June 30, 2006, the City was under an Internal Revenue Service (IRS) audit of its previous bond issue to finance the construction of Pringles Park. The underlying issue in this audit is whether or not the City is liable for arbitrage payments associated with the bonds. As of June 30, 2006, the audit was still in process and no findings had been issued. The City expects the IRS to finalize the audit during the year ending June 30, 2007. No estimate of the outcome of the audit or potential liability is available.

D. Closure and Post-closure Care Cost

State and federal laws and regulations require the City to place a final cover on its Red Lane and Highway 70 east landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The liability reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use to date of the estimated costs of closure and postclosure care as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Closure on the Highway 70 landfill was begun in the fiscal year ended June 30, 1994, and was completed in the fiscal year ended June 30, 1996.

During the year ended June 30, 2006, the City entered into an agreement with Allied Waste dba Madison County Development, LLC to sell the remaining landfill site to Allied Waste. Based on the terms of the agreement, the City entered into an Interim Landfill Operating Agreement with Allied Waste allowing them to assume all operations of the landfill. The sale of the landfill was ultimately closed on January 6, 2006, with a purchase price of \$8,250,000. Under the terms of the sale, the City entered into a twenty-year fixed fee agreement for waste disposal with Allied Waste. Also, the City was released from any and all postclosure liability relating to the landfill as an additional provision of the sales agreement.

The status of landfill closure and postclosure activities at June 30, 2006, is as follows:

	<u>Highway 70</u>
Estimated capacity utilized	100%
Accrued closure & post-closure care at 6/30/06	\$ 476,840
Estimated costs to be recognized as remaining capacity is filled	-

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 - OTHER INFORMATION (Cont.)

E. Commitments

The City is continually involved in road construction and improvement projects. Various commitments of this nature totaling \$3,374,225 were effective at June 30, 2006.

F. Other Matters

The Tennessee Department of Transportation constructed an urban interchange on Highway 45 Bypass within the city limits of the City. The cost of this project was approximately \$8 million with the City being responsible for \$6 million of this cost. As a part of this project the City expects to be reimbursed for most of its share of the cost by the property owners adjacent to the new interchange as their property is developed in the future. The timing of these reimbursements is dependent on the development of the land.

G. Joint Ventures

The City participates in the following joint ventures with Madison County, Tennessee:

Jackson-Madison County Airport Authority (Authority) administers the operations of the McKellar Sipes Airport. The Board of the Authority consists of five members who are alternatively appointed each year by the City and Madison County. The City provides support to the Authority through an annual appropriation. The City has certain real estate of the Authority in the amount of \$683,866 included in the governmental activities section of the Statement of Net Assets. The City also has advances to the Authority as described in Note 4 totaling \$29,723. The City does not have an equity interest in the Authority and has no ongoing funding obligation for its share of the costs of operations not recovered from the Authority's operating revenues.

Jackson-Madison County Community Economic Development Commission (Commission) is involved in tourism efforts. The Board of the Commission consists of five members who are alternatively appointed each year by the City and Madison County. Funding for the Commission is provided through a hotel/motel tax levied jointly by the City and Madison County. Twenty percent of the funds collected through the hotel/motel tax are allocated to the Commission pursuant to the provisions of a private act. The City assumes no ongoing financial interest or burden in regards to the Commission.

Jackson-Madison County General Hospital (Hospital) provides health care for the entire West Tennessee area. The five members of the board of the Hospital are alternately appointed each year by the City and Madison County. The City has certain real estate of the Hospital in the amount of \$1,356,888 included in the governmental activities section of the Statement of Net Assets. The Hospital has decided to pay a portion of its profits to the City annually. This donation has been designated by the City Council to fund capital expenditures related to tourism. For the fiscal year ended June 30, 2006, the donation was \$786,307.

Jackson-Madison County Library (Library) administers the operations of the local library. The board of the Library consists of five members alternately appointed by the City and Madison County. The City has certain real estate of the Library in the amount of \$372,871 included in the governmental activities section of the Statement of Net Assets. The City does not have an equity interest in the Library and has no ongoing funding obligation for its share of the costs of operations not recovered from the Library's operating revenues.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 5 - OTHER INFORMATION (Cont.)

G. Joint Ventures (Cont.)

Complete financial statements for the above-noted ventures can be obtained from their respective administrative offices at the following addresses:

Jackson-Madison County Airport Authority
 308 Grady Montgomery Drive
 Jackson, Tennessee 38301

Jackson-Madison County Community Economic
 Development Commission
 314 E. Main Street
 Jackson, Tennessee 38301

Jackson-Madison County General Hospital
 708 W. Forest
 Jackson, Tennessee 38301

Jackson-Madison County Library
 433 E. Lafayette
 Jackson, Tennessee 38301

H. Retirement Plans

City Pension Plans

Plan Description: The City previously maintained an original pension plan fund and later a second plan called the Employees Retirement System fund. The valuation is based on the arrangement commonly referred to as the City of Jackson Pension Plan. The Pension Plan actually consists of four funds, established by Tennessee State statute. They are Firemen and Policemen Pension and Retirement Fund, Water and Administrative Departments Pension Fund, Health and Sanitation Department Pension Fund, and Street Maintenance Department Pension Fund. The amount of the retirement benefit is 50% of the highest salary earned. The payment will be made monthly for life with 50% continuing to spouse upon participant's death. Benefits are increased annually in accordance with the Consumer Price Index, to a maximum of 5% per year. The adjustment is applied to base benefit only.

Membership Data: Membership of each plan consisted of the following at July 1, 2003, the date of the latest actuarial valuation:

Retirees & beneficiaries receiving benefits	75
Active plan members	<u>1</u>
Total	<u>76</u>

Contributions: Employee contributions are 3% of salary.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at July 1, 2003. Additional information as of the latest actuarial valuation follows:

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Actual Employer Contribution Made	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2002	\$ 946,743	\$ 997,247	94.94%
June 30, 2003	958,011	997,247	96.07%
June 30, 2004	968,260	1,051,872	92.05%

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 5 - OTHER INFORMATION (Cont.)

H. Retirement Plans (Cont.)

City Pension Plans (Cont.)

Actuarial Methods, Assumptions and Participant Data: The actuarial cost method used is the projected unit credit, at a discount rate of 7.0% per annum. Compensation increases are 3% per annum and cost of living increases are 3% per annum. Mortality rates were determined using the 1983 Group Annuity Mortality, blended male and female rates. Census data appeared reasonable for valuation purposes although it was not totally complete. When a beneficiary birth date was not available, it was assumed that the male spouse is three years older than the female. When a birth date for neither the retired participant nor beneficiary is available, the participant is assumed to be age 75. The sex of each participant was assigned by reference to the first name; doubtful individuals were assumed to be male.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

Annual required contribution	
Annual normal cost	\$ -
13-year amortization of unfunded actuarial accrued liability	983,058
Interest	68,814
	<u>1,051,872</u>
Interest on net pension obligation	29,542
Adjustment to annual required contribution	47,190
	<u>1,034,224</u>
Annual pension cost	968,260
Employer contributions made	<u>65,964</u>
Increase (Decrease) in Net Pension Obligation	422,024
Net Pension Obligation Beginning of Year	<u>487,988</u>
Net Pension Obligation End of Year	<u>\$ 487,988</u>

ANNUAL DEVELOPMENT OF PENSION COST

Fiscal Year Ending	Annual Required Contribution at End of Year	Interest on Net Pension Obligation	Annual Required Contribution Adjustment	Annual Pension Cost	Employer Contribution Made
6/30/2002	\$ 997,247	\$ 26,763	\$ 37,605	\$ 986,405	\$ 946,743
6/30/2003	997,247	29,737	43,447	983,537	958,011
6/30/2004	1,051,872	29,542	47,190	1,034,224	968,260
Change in Net Pension Obligation	Net Pension Obligation Balance	Interest Loss/(Gain)	Annual Amortization Factor	Amortization of Loss/(Gain)	Ending Balance
\$ 39,662	\$ 396,498	\$ 50,504	9.489	\$ 37,605	\$ 396,498
25,526	422,024	39,236	9.126	43,447	422,024
65,964	487,988	83,612	8.943	47,190	487,988

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 5 - OTHER INFORMATION (Cont.)

H. Retirement Plans (Cont.)

City Pension Plans (Cont.)

The Plan has been financed on a pay-as-you-go basis. Prior to 1996, actuarial determinations of the actuarial required contribution were not made. The contribution to the Plan has equaled the benefit payments from the Plan. As a result, the net pension obligation at transition is equal to \$0 as of July 1, 1996, in accordance with Statement Number 27.

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (BOY)
June 30, 1997	\$ 988,000	95.34%	\$ 46,000
June 30, 1999	968,850	93.01%	225,774
June 30, 2001	989,283	94.01%	356,836
June 30, 2004	1,034,224	93.62%	487,988

State Retirement System

Plan Description: Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be assessed at www.treasury.state.tn.us. Copies of footnoted in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy: The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2006, was 12.82% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 5 - OTHER INFORMATION (Cont.)

H. Retirement Plans (Cont.)

State Retirement System (Cont.)

Annual Pension Cost: For the year ending June 30, 2006, the City's annual pension cost of \$3,436,460 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 3,436,460	100.00%	\$ 0.00
6/30/2005	3,410,452	100.00%	0.00
6/30/2004	2,237,734	100.00%	0.00

I. Other Postemployment Benefits

In addition to the retirement benefits described in Note H, the City provides postretirement health care benefits to all employees who retire from the City on or after attaining age 60 with 10 or more years of service; or those with 30 or more years of service regardless of age; or those Public Safety employees with 25 years of service and age 55. Employees retiring prior to July 1, 1992, have the same benefits as active employees. There are currently 4 retirees covered under the PPO plan. The City pays 76% of individual medical and hospitalization premiums for 2 pre-Medicare retirees for the PPO plan and 70% of family premiums for 2 pre-Medicare retirees.

Employees retiring after July 1, 1992, have limited benefits. There are currently 52 retirees under the PPO plan. Under the new PPO plan, the City pays 35% of individual medical and hospitalization premiums for 31 pre-Medicare retirees and 45% of family premiums for 21 pre-Medicare retirees.

Post 65 retirees are covered by a "Medicare carve out" plan that provides similar benefits. The City pays 70% of individual medical and hospitalization premiums for 2 post 65 retirees with the PPO plan.

Claims in excess of \$100,000 are reinsured. The cost of retiree health care is recognized as an expenditure as claims are paid. For the fiscal year ended June 30, 2006, these costs are not separable from the costs for active employees.

CITY OF JACKSON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 - OTHER INFORMATION (Cont.)

I. Other Postemployment Benefits (Cont.)

The City provides post-retirement life insurance benefits to all employees who retire from the City on or after attaining age 60 with 10 or more years of service; or those with 30 or more years of service regardless of age; or those Public Safety employees with 25 years of service and age 55. Currently, 231 retirees meet these eligibility requirements. The cost of the retiree's life insurance benefit is recognized as an expenditure and, for the fiscal year ended June 30, 2006, is not separable from the costs for active employees.

NOTE 6 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been recorded in the Jackson Transit Authority fund in the amount of \$66,413. In testing JTA's grants, a request dated May 22, 2006, in the amount of \$66,413 that was labeled 2004-2005 was found. Upon inquiry and examination of the grant file, this appears to have been funds on the JARC grant that was still open. However, these funds were due and payable in the 2004-2005 year. It appears that there was an oversight by JTA personnel and this request of funds was not done. Therefore, a prior period adjustment was made for \$66,413 to adjust retained earnings to actual.

In 2006, Jackson Energy Authority discovered a discrepancy in the reports used to generate the power invoice to TVA. As a result of this discrepancy, the GSA 3 portion of the power invoices between January 2004 and December 2005, were understated by \$1,976,737. Of this amount, \$502,015 related to the fiscal year ended June 30, 2004, and \$940,239 related to fiscal year ended June 30, 2005. The amounts for 2004 and 2005 total \$1,442,254, and have been recorded as a prior period adjustment in the current year. The remaining \$534,484 has been properly reflected in operating expenses for the year ended June 30, 2006.

NOTE 7 - LITIGATION

The City is involved in legal proceedings arising in the normal course of business. In the opinion of management, after consulting with counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the City as of June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSON, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM
JUNE 30, 2006

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City Pension Plan:						
7/1/2003	\$ 58,450	\$ 8,849,628	\$ 8,791,178	0.66%	\$ 47,590	18472.74%
7/1/2000	53,363	9,109,792	9,056,429	0.59%	212,332	4265.22%
7/1/1998	51,697	9,435,851	9,384,154	0.55%	198,669	4723.51%
State Retirement System:						
7/1/2005	85,606	88,653	3,047	96.56%	26,206	11.63%
7/1/2003	78,428	81,862	3,434	95.81%	26,279	13.07%
6/30/2001	73,417	76,862	3,445	95.52%	23,119	14.90%

- a. The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contributions requirements and in ratios that use the pension benefit obligations as a factor.
- b. Looking at the actuarial accrued liability or the unfunded actuarial accrued liability in isolation can be misleading.
- (i.) Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the extent to which a plan is funded. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.
 - (ii.) Expressing the unfunded actuarial accrued liability as a percentage of the annual covered payroll approximately adjusts for the effects of inflation and aids analysis of funding progress. Generally, the smaller the unfunded percentage, the stronger the plan.

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>City of Jackson Pension</u>
Additions:	
Contributions:	
Employer	\$ 962,542
Deductions:	
Benefits	<u>900,613</u>
Net increase (decrease)	61,929
Net assets held in trust for pension benefits, July 1	<u>-</u>
Net assets held in trust for pension benefits, June 30	<u><u>\$ 61,929</u></u>

See independent auditors' report.

**OTHER SUPPLEMENTARY
INFORMATION SECTION**

CITY OF JACKSON, TENNESSEE
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Taxes:				
Property tax apportionments	\$ 6,037,735	\$ 6,037,735	\$ 6,008,216	\$ (29,519)
Tax equivalent apportionments	<u>790,589</u>	<u>790,589</u>	<u>878,598</u>	<u>88,009</u>
Total taxes	<u>6,828,324</u>	<u>6,828,324</u>	<u>6,886,814</u>	<u>58,490</u>
Use of money & property:				
Interest income	<u>60,000</u>	<u>60,000</u>	<u>176,339</u>	<u>116,339</u>
Intergovernmental:				
Madison County:				
Local option sales tax - Pringles Park	40,000	40,000	36,278	(3,722)
State of Tennessee:				
Sales tax - Pringles Park	<u>80,000</u>	<u>80,000</u>	<u>66,777</u>	<u>(13,223)</u>
Total intergovernmental	<u>120,000</u>	<u>120,000</u>	<u>103,055</u>	<u>(16,945)</u>
Total revenues	<u>7,008,324</u>	<u>7,008,324</u>	<u>7,166,208</u>	<u>157,884</u>
Expenditures:				
Principal	3,442,000	3,442,000	3,442,000	-
Interest	3,565,324	3,565,324	2,789,038	776,286
Other expenditures	500	500	363	137
Fiscal agent fees	<u>500</u>	<u>500</u>	<u>265</u>	<u>235</u>
Total expenditures	<u>7,008,324</u>	<u>7,008,324</u>	<u>6,231,666</u>	<u>776,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>934,542</u>	<u>934,542</u>
Other financing sources (uses):				
Transfers to other funds	<u>-</u>	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>-</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ (4,000,000)</u>	<u>(3,065,458)</u>	<u>\$ 934,542</u>
Fund balance - beginning			<u>4,031,359</u>	
Fund balance - ending			<u>\$ 965,901</u>	

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

CITY OF JACKSON, TENNESSEE
CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Use of money and property:				
Interest	\$ -	\$ -	\$ 236,710	\$ 236,710
Sale of capital assets	-	-	309,429	309,429
Total use of money and property	-	-	546,139	546,139
Intergovernmental:				
State of Tennessee - Underground Storage Tanks	7,500	7,500	-	(7,500)
Total intergovernmental	7,500	7,500	-	(7,500)
Other:				
Sportsplex Sponsorships	-	-	12,595	12,595
Donations - JMCGH	-	-	786,307	786,307
Donations - soccer	-	-	965	965
Insurance recoveries	-	-	4,202	4,202
Miscellaneous revenue	-	-	5,891	5,891
Reimbursements	1,398,855	1,398,855	922,501	(476,354)
Total other	1,398,855	1,398,855	1,732,461	333,606
Total revenues	1,406,355	1,406,355	2,278,600	872,245
Expenditures:				
General government:				
Municipal development	2,000	2,000	1,958	42
Building department	1,500	1,500	1,500	-
Public services	100,000	100,000	39,438	60,562
East Jackson development	522,607	522,607	277,146	245,461
Information Systems	502,000	502,000	278,049	223,951
Farmer's Market	216,332	216,332	(41,205)	257,537
Total general government	\$ 1,344,439	\$ 1,344,439	\$ 556,886	\$ 787,553

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

CITY OF JACKSON, TENNESSEE
CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Expenditures (cont.):	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Public Safety:				
Patrol Dept	\$ 8,475	\$ 8,475	\$ 8,397	\$ 78
Criminal investigation	650	650	-	650
Support services	373,160	373,160	316,823	56,337
Law Enforcement buildings	29,415	29,415	29,415	-
Fire Dept operations	47,500	594,327	591,055	3,272
Fire prevention	1,200	1,200	1,160	40
Fire Dept training	2,125	2,125	(5,863)	7,988
Fire Dept buildings	3,100	15,900	30,842	(14,942)
Total public safety	<u>465,625</u>	<u>1,025,252</u>	<u>971,829</u>	<u>53,423</u>
Public Works:				
Housing codes enforcement	20,000	20,000	17,721	2,279
Street maintenance	7,865,492	7,865,492	2,454,594	5,410,898
Traffic sign department	33,251	33,251	20,392	12,859
Traffic signalization	928,437	928,437	313,988	614,449
Jackson City Beautiful	41,485	41,485	1,035	40,450
Public works facility	6,883,326	6,883,326	5,690,506	1,192,820
Storm drainage	200,000	200,000	63,069	136,931
Engineering department	4,700	4,700	-	4,700
Total public works	<u>15,976,691</u>	<u>15,976,691</u>	<u>8,561,305</u>	<u>7,413,107</u>
Public Welfare and Community Services:				
Parks	10,300	10,300	10,269	31
Groundskeeping	189,150	189,150	191,215	(2,065)
Jackson Centre	394,087	394,087	153,888	240,199
Forest Hills Park	60,000	60,000	56,414	3,586
Depot	7,500	7,500	1,000	6,500
Soccer development	-	-	7,310	(7,310)
Total public welfare and community services	<u>661,037</u>	<u>661,037</u>	<u>420,096</u>	<u>240,941</u>

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

CITY OF JACKSON, TENNESSEE
CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Expenditures (cont.):	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Other:				
Jackson-Madison County Airport Authority	\$ 56,562	\$ 56,562	\$ 55,605	\$ 957
Jackson Transit Authority	303,148	303,148	51,424	251,724
Auction expense	-	-	13,713	(13,713)
Total other	<u>359,710</u>	<u>359,710</u>	<u>120,742</u>	<u>238,968</u>
Total expenditures	<u>18,807,502</u>	<u>19,367,129</u>	<u>10,630,858</u>	<u>8,733,992</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,401,147)</u>	<u>(17,960,774)</u>	<u>(8,352,258)</u>	<u>9,606,237</u>
Other financing sources (uses):				
Proceeds from sale of notes	10,361,704	10,361,704	6,000,000	(4,361,704)
Transfer from other funds	14,498,807	14,498,807	4,000,000	(10,498,807)
Transfer to other funds	-	(6,899,737)	(6,902,579)	(2,842)
Total other financing sources (uses)	<u>24,860,511</u>	<u>17,960,774</u>	<u>3,097,421</u>	<u>(14,863,353)</u>
Net changes in fund balances	<u>\$ 7,459,364</u>	<u>\$ -</u>	(5,254,837)	<u>\$ (5,257,116)</u>
Fund balance - beginning			<u>8,945,865</u>	
Fund balance - ending			<u>\$ 3,691,028</u>	

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

CITY OF JACKSON, TENNESSEE
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue Funds										Capital Projects Funds										
	Nutrition	Police Drug	Metro Drug	In-house Promotions	Grant Fund #1 CDBG	Grant Fund #2 HOME	Grant Fund #3 ESGP	Kate			Totals										
								Campbell Park Fund	Robertson Fund	Urban Interchange Fund											
ASSETS																					
Cash and cash equivalents	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100
Investments	-	405,689	6,951	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	453,444
Receivables:																					
Accounts (net of allowance for uncollectible accounts)	-	-	796	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	796
Intergovernmental	-	-	-	-	144,851	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	168,250
Grants	-	-	2,168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,168
Court fines (net of allowance for uncollectible accounts)	-	50,519	51,561	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,080
Due from other funds	-	9,790	31,193	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,983
Total assets	\$ -	\$ 465,998	\$ 92,769	\$ -	\$ 144,851	\$ 8,417	\$ 14,982	\$ -	\$ -	\$ 40,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 767,821
LIABILITIES AND FUND BALANCES																					
Liabilities:																					
Accounts payable and accrued expenses	\$ -	\$ -	\$ 12,701	\$ -	\$ 21,242	\$ 8,417	\$ 2,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,506
Deferred revenue	-	50,519	51,561	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,080
Due to other governments	-	-	-	-	-	-	12,836	-	-	-	-	-	-	-	-	-	-	-	-	-	12,836
Due to other funds	593	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,140
Total liabilities	593	50,519	64,262	-	21,242	8,417	14,982	-	-	8,547	-	-	-	-	-	-	-	-	-	-	168,562
Fund balances:																					
Unreserved, undesignated	(593)	415,479	28,507	-	123,609	-	-	-	-	32,257	-	-	-	-	-	-	-	-	-	-	599,259
Total fund balances	(593)	415,479	28,507	-	123,609	-	-	-	-	32,257	-	-	-	-	-	-	-	-	-	-	599,259
Total liabilities and fund balances	\$ -	\$ 465,998	\$ 92,769	\$ -	\$ 144,851	\$ 8,417	\$ 14,982	\$ -	\$ -	\$ 40,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 767,821

CITY OF JACKSON, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds										Capital Projects Funds				Totals
	Nutrition	Police Drug	Metro Drug	In-house Promotions	Grant Fund #1 CDBG	Grant Fund #2 HOME	Grant Fund #3 ESGP	Kate			Urban Interchange Fund				
								Campbell Park Fund	Robertson Park Fund	Interchange Fund					
Revenues:															
Fines, interest and penalties	\$ -	\$ 98,542	\$ 83,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,429
Use of money and property	-	15,111	78	-	-	-	-	-	-	-	-	-	-	-	15,189
Intergovernmental	83,775	-	31,027	-	441,358	229,404	70,285	-	-	-	-	-	-	-	855,849
Sales and service charges	-	1,245	125,391	90	-	-	-	-	-	-	-	-	-	-	126,726
Other	-	-	615	-	29,030	3,617	-	-	-	-	-	-	3,293	-	36,555
Total revenues	83,775	114,898	240,998	90	470,388	233,021	70,285	-	-	-	-	-	3,293	-	1,216,748
Expenditures:															
Current:															
Public safety	-	1,357	173,870	-	-	-	-	-	-	-	-	-	-	-	175,227
Public welfare and community services	145,075	-	-	-	464,290	233,021	70,285	-	-	-	-	-	-	-	912,671
Capital outlay:															
Public safety	-	2,128	48,694	-	-	-	-	-	-	-	-	-	-	-	50,822
Debt service:															
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	93,984
Total expenditures	145,075	3,485	222,564	-	464,290	233,021	70,285	-	-	-	-	-	93,984	-	1,232,704
Excess (deficiency) of revenues over (under) expenditures	(61,300)	111,413	18,434	90	6,098	-	-	-	-	-	-	-	(90,691)	-	(15,956)
Other financing sources (uses):															
Operating transfers out	-	(30,000)	-	-	-	-	-	-	-	-	-	-	-	-	(30,000)
Total other financing sources (uses)	-	(30,000)	-	-	-	-	-	-	-	-	-	-	-	-	(30,000)
Net changes in fund balances	(61,300)	81,413	18,434	90	6,098	-	-	-	-	-	-	-	(90,691)	-	(45,956)
Fund balances - beginning	60,707	334,066	10,073	(90)	117,511	-	-	-	-	-	-	-	122,948	-	645,215
Fund balances - ending	\$ (593)	\$ 415,479	\$ 28,507	\$ -	\$ 123,609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,257	\$ -	\$ 599,259

CITY OF JACKSON, TENNESSEE
NUTRITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
Federal grant	\$ 220,017	\$ 220,017	\$ 83,775	\$ (136,242)
Expenditures:				
Current:				
Public Welfare and Community Services:				
Salaries and transportation	18,800	18,800	11,563	7,237
Food	<u>201,217</u>	<u>201,217</u>	<u>133,512</u>	<u>67,705</u>
Total expenditures	<u>220,017</u>	<u>220,017</u>	<u>145,075</u>	<u>74,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(61,300)	<u>\$ (61,300)</u>
Fund balance - beginning			<u>60,707</u>	
Fund balance - ending			<u>\$ (593)</u>	

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
POLICE DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Fines, interest and penalties:				
Fines, forfeits and penalties	\$ 80,000	\$ 80,000	\$ 98,542	\$ 18,542
Use of money and property:				
Interest earned	4,500	4,500	15,111	10,611
Sales and service charges:				
Seized assets/unclaimed evidence	<u>10,000</u>	<u>10,000</u>	<u>1,245</u>	<u>(8,755)</u>
Total revenues	<u>94,500</u>	<u>94,500</u>	<u>114,898</u>	<u>20,398</u>
Expenditures:				
Current:				
Public Safety:				
Advertising	1,000	1,000	119	881
Contractual services	1,600	1,600	-	1,600
Court clerk fees	<u>1,500</u>	<u>1,500</u>	<u>1,238</u>	<u>262</u>
	<u>4,100</u>	<u>4,100</u>	<u>1,357</u>	<u>2,743</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>2,128</u>	<u>(2,128)</u>
Total expenditures	<u>4,100</u>	<u>4,100</u>	<u>3,485</u>	<u>615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,400</u>	<u>90,400</u>	<u>111,413</u>	<u>21,013</u>
Other financing sources (uses):				
Operating transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net changes in fund balances	<u>\$ 60,400</u>	<u>\$ 60,400</u>	81,413	<u>\$ 21,013</u>
Fund balance - beginning			<u>334,066</u>	
Fund balance - ending			<u>\$ 415,479</u>	

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
METRO DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Fines, interest and penalties:				
Fines, forfeits and penalties	\$ 80,000	\$ 80,000	\$ 83,887	\$ 3,887
Use of money and property:				
Interest earned	300	300	78	(222)
Intergovernmental:				
Byrne grant	32,951	32,951	31,027	(1,924)
Sales and service charges:				
Controlled substance tax	75,000	75,000	25,073	(49,927)
Seizures	50,000	50,000	100,318	50,318
Other revenues:				
Miscellaneous reimbursements	-	-	615	615
Total revenues	<u>238,251</u>	<u>238,251</u>	<u>240,998</u>	<u>2,747</u>
Expenditures:				
Current:				
Public Safety:				
Telephone	18,140	18,140	17,212	928
Vehicle tow-in/storage	2,000	2,000	2,010	(10)
Salaries and benefits	39,691	39,691	45,869	(6,178)
Subscriptions and dues	1,415	1,415	1,780	(365)
Professional services	-	-	2,500	(2,500)
Computer/IS services	2,880	2,880	4,080	(1,200)
Travel and training	16,846	16,846	15,246	1,600
Advertising	-	-	1,276	(1,276)
Office supplies	9,000	9,000	7,568	1,432
Operating expenditures	12,000	12,000	16,574	(4,574)
Canine expenditures	7,800	7,800	7,542	258
Rent	16,000	16,000	17,220	(1,220)
Court clerk fees	4,750	4,750	4,475	275
Special investigative funds	40,000	40,000	28,175	11,825
Uniforms and clothing	4,000	4,000	2,343	1,657
	<u>174,522</u>	<u>174,522</u>	<u>173,870</u>	<u>652</u>
Capital outlay	<u>53,700</u>	<u>53,700</u>	<u>48,694</u>	<u>5,006</u>
Total expenditures	<u>228,222</u>	<u>228,222</u>	<u>222,564</u>	<u>5,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,029</u>	<u>\$ 10,029</u>	18,434	<u>\$ 8,405</u>
Fund balance - beginning			<u>10,073</u>	
Fund balance - ending			<u>\$ 28,507</u>	

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
IN-HOUSE PROMOTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Sales and Service Charges:				
Events revenue	\$ -	\$ -	\$ 90	\$ 90
Expenditures:				
Public Welfare and Community Services:				
Contractual services	-	-	-	-
Postage	-	-	-	-
Printing	-	-	-	-
Promotional activities	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	90	90
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	90	<u>\$ 90</u>
Fund balance - beginning			<u>(90)</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
GRANT FUND #1 - CDBG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
Block Grant - CDBG	\$ 670,919	\$ 670,919	\$ 441,358	\$ (229,561)
Program income	50,000	50,000	29,030	(20,970)
Total revenues	<u>720,919</u>	<u>720,919</u>	<u>470,388</u>	<u>(250,531)</u>
Expenditures:				
Current:				
Public Welfare and Community Services:				
Administration and Program Delivery:				
Salaries	134,184	134,184	117,636	16,548
Employee benefits	-	-	37,612	(37,612)
Travel and training	-	-	4,165	(4,165)
Dues and subscriptions	-	-	679	(679)
Telephone	-	-	2,496	(2,496)
Office supplies	-	-	69	(69)
Advertising	-	-	1,643	(1,643)
Computer	-	-	205	(205)
Freight	-	-	749	(749)
Miscellaneous	-	-	5,603	(5,603)
Repairs and maintenance	-	-	3,649	(3,649)
Insurance	-	-	400	(400)
Equipment purchases	-	-	14,714	(14,714)
	<u>134,184</u>	<u>134,184</u>	<u>189,620</u>	<u>(55,436)</u>
Program:				
Housing	557,669	557,669	137,748	419,921
Economic development	65,000	65,000	36,285	28,715
Public services/facilities	100,937	100,937	100,637	300
	<u>723,606</u>	<u>723,606</u>	<u>274,670</u>	<u>448,936</u>
Total expenditures	<u>857,790</u>	<u>857,790</u>	<u>464,290</u>	<u>393,500</u>
Excess (deficiency) of revenues over (under) expenditures	(136,871)	(136,871)	6,098	142,969
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Net changes in fund balances	<u>\$ (136,871)</u>	<u>\$ (136,871)</u>	6,098	<u>\$ 142,969</u>
Fund balance - beginning			<u>117,511</u>	
Fund balance - ending			<u>\$ 123,609</u>	

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
GRANT FUND #2 - HOME
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
HOME Grant	\$ 443,500	\$ 443,500	\$ 229,404	\$ (214,096)
Program income	<u>-</u>	<u>-</u>	<u>3,617</u>	<u>3,617</u>
Total revenues	<u>443,500</u>	<u>443,500</u>	<u>233,021</u>	<u>(210,479)</u>
Expenditures:				
Current:				
Public Welfare and Community Services:				
Administration:				
Salaries	42,360	42,360	15,520	26,840
Employee benefits	-	-	8,855	(8,855)
Miscellaneous	-	-	1,051	(1,051)
	<u>42,360</u>	<u>42,360</u>	<u>25,426</u>	<u>16,934</u>
Program:				
Housing	<u>381,963</u>	<u>381,963</u>	<u>207,595</u>	<u>174,368</u>
Total expenditures	<u>424,323</u>	<u>424,323</u>	<u>233,021</u>	<u>191,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 19,177</u>	<u>\$ 19,177</u>	-	<u>\$ (19,177)</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
GRANT FUND #3 - ESGP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Intergovernmental:				
State DHS Grant	\$ 70,350	\$ 70,350	\$ 70,285	\$ (65)
Expenditures:				
Current:				
Public Welfare and Community Services:				
Administration:				
Salaries	3,350	3,350	2,094	1,256
Employee benefits	-	-	779	(779)
Miscellaneous	-	-	477	(477)
	<u>3,350</u>	<u>3,350</u>	<u>3,350</u>	<u>-</u>
Program:				
Public services	<u>67,000</u>	<u>67,000</u>	<u>66,935</u>	<u>65</u>
Total expenditures	<u>70,350</u>	<u>70,350</u>	<u>70,285</u>	<u>65</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
KATE CAMPBELL ROBERTSON PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Other financing sources (uses):				
Operating transfer in from Robertson Trust Fund	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Net changes in fund balances	<u>\$ 30,000</u>	<u>\$ 30,000</u>	-	<u>\$ (30,000)</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
URBAN INTERCHANGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues:				
Interest earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,293</u>	<u>\$ 3,293</u>
Expenditures:				
Debt service:				
Interest on bonded debt	<u>103,952</u>	<u>103,952</u>	<u>93,984</u>	<u>9,968</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (103,952)</u>	<u>\$ (103,952)</u>	<u>(90,691)</u>	<u>\$ 13,261</u>
Fund balance - beginning			<u>122,948</u>	
Fund balance - ending			<u>\$ 32,257</u>	

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
SCHEDULE OF INVESTMENTS
 JUNE 30, 2006

	Interest Rate	Yield	Maturity Date	Face Amount	Carrying Amount/ Market Value
Governmental funds					
General Fund:					
Tennessee Local Government Investment Pool	Varies	Varies	N/A	\$ 4,940,372	\$ 4,940,372
Solid Waste Collection Fund:					
Tennessee Local Government Investment Pool	Varies	Varies	N/A	891,382	891,382
Police Drug Fund:					
Tennessee Local Government Investment Pool	Varies	Varies	N/A	405,688	405,688
Metro Drug Fund:					
Tennessee Local Government Investment Pool	Varies	Varies	N/A	6,951	6,951
Debt Service Fund:					
Tennessee Local Government Investment Pool	Varies	Varies	N/A	860,602	860,602
Capital Outlay Fund:					
Tennessee Local Government Investment Pool	Varies	Varies	N/A	4,992,832	4,992,832
Urban Interchange Fund:					
Tennessee Local Government Investment Pool	Varies	Varies	N/A	40,804	40,804
Proprietary funds					
Solid Waste Fund:					
Tennessee Local Government Investment Pool	Varies	Varies	N/A	7,119,501	7,119,501
Government Agency Bonds	Varies	Varies	Varies	4,980,210	4,980,210
Sportsplex Fund:					
Tennessee Local Government Investment Pool	Varies	Varies	N/A	5,473,059	5,473,059
Fiduciary fund types					
Robertson Non-Expendable Trust Fund					848,840
Deferred Compensation Expendable Trust Fund					<u>9,451,115</u>
					<u>\$ 40,011,356</u>

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
JUNE 30, 2006

	Notes Payable									
	General Refunding and Improvement Bonds, Series 1997		Tennessee Municipal Bond Fund, 1996 (1)		Tennessee Municipal Bond Fund, 2001 (1)		Tennessee Municipal Bond Fund, 2003 (1)		Tennessee Municipal Bond Fund, 2004 (1)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 2,505,000	\$ 1,128,164	\$ 1,281,050	\$ 116,946	\$ 2,078,500	\$ 921,825	\$ 1,466,000	\$ 450,000	\$ -	\$ 763,508
2008	2,505,000	1,015,439	1,317,750	59,299	2,158,500	828,293	1,666,000	384,030	900,000	776,701
2009	2,555,000	898,956	-	-	2,238,500	731,160	1,866,000	309,060	1,000,000	742,830
2010	2,650,000	777,594	-	-	2,328,500	630,428	2,066,000	225,090	1,100,000	705,196
2011	2,800,000	645,094	-	-	2,418,500	525,645	2,066,000	132,120	1,200,000	663,799
2012	2,850,000	505,094	-	-	2,508,500	416,813	870,000	39,150	1,300,000	618,638
2013	1,950,000	362,594	-	-	1,598,500	303,930	-	-	1,400,000	569,714
2014	1,150,000	262,656	-	-	1,658,500	231,998	-	-	1,500,000	517,026
2015	1,275,000	203,719	-	-	1,718,500	157,365	-	-	1,600,000	460,575
2016	1,275,000	138,375	-	-	1,778,500	80,033	-	-	1,700,000	400,361
2017	1,425,000	73,031	-	-	-	-	-	-	1,800,000	336,383
2018	-	-	-	-	-	-	-	-	1,900,000	268,642
2019	-	-	-	-	-	-	-	-	2,000,000	197,138
2020	-	-	-	-	-	-	-	-	2,100,000	121,870
2021	-	-	-	-	-	-	-	-	1,138,296	42,839
	<u>\$ 22,940,000</u>	<u>\$ 6,010,716</u>	<u>\$ 2,598,800</u>	<u>\$ 176,245</u>	<u>\$ 20,485,000</u>	<u>\$ 4,827,490</u>	<u>\$ 10,000,000</u>	<u>\$ 1,539,450</u>	<u>\$ 20,638,296</u>	<u>\$ 7,185,220</u>

	Notes Payable									
	General Obligation Capital Outlay Note, Series 2006 **		General Obligation Capital Outlay Note, Series 2006-A **		General Obligation Capital Outlay Note, Series 2006-B **		Total Requirements			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total	
2007	\$ 166,250	\$ 105,333	\$ 166,250	\$ 105,333	\$ 166,250	\$ 105,333	\$ 7,829,300	\$ 3,696,442	\$ 11,525,742	
2008	166,250	96,556	166,250	96,556	166,250	96,556	9,046,000	3,353,430	12,399,430	
2009	166,250	87,778	166,250	87,778	166,250	87,778	8,158,250	2,945,340	11,103,590	
2010	166,250	79,000	166,250	79,000	166,250	79,000	8,643,250	2,575,308	11,218,558	
2011	166,250	70,222	166,250	70,222	166,250	70,222	8,983,250	2,177,324	11,160,574	
2012	166,250	61,444	166,250	61,444	166,250	61,444	8,027,250	1,764,027	9,791,277	
2013	166,250	52,667	166,250	52,667	166,250	52,667	5,447,250	1,394,239	6,841,489	
2014	166,250	43,889	166,250	43,889	166,250	43,889	4,807,250	1,143,347	5,950,597	
2015	166,250	35,111	166,250	35,111	166,250	35,111	5,092,250	926,992	6,019,242	
2016	166,250	26,333	166,250	26,333	166,250	26,333	5,252,250	697,768	5,950,018	
2017	166,250	17,556	166,250	17,556	166,250	17,556	3,723,750	462,082	4,185,832	
2018	166,250	8,778	166,250	8,778	166,250	8,778	2,398,750	294,976	2,693,726	
2019	-	-	-	-	-	-	2,000,000	197,138	2,197,138	
2020	-	-	-	-	-	-	2,100,000	121,870	2,221,870	
2021	-	-	-	-	-	-	1,138,296	42,839	1,181,135	
	<u>\$ 1,995,000</u>	<u>\$ 684,667</u>	<u>\$ 1,995,000</u>	<u>\$ 684,667</u>	<u>\$ 1,995,000</u>	<u>\$ 684,667</u>	<u>\$ 82,647,096</u>	<u>\$ 21,793,122</u>	<u>\$ 104,440,218</u>	

(1) TML Bond Fund Notes have variable interest rates. The interest requirements are estimated, not exact.

** Obligations of the Sportsplex Fund, an Enterprise fund of the City.

CITY OF JACKSON, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Year of Levy	Balance 7/1/05	Taxes Levied	Adjustments	Collections	Balance 6/30/06
2005	\$ -	\$ 23,446,909	\$ 1,148,057	\$ 22,897,840	\$ 1,697,126
2004	1,473,114	-	(37,713)	1,079,115	356,286
2003	436,947	-	(1,802)	155,057	280,088
2002	426,656	-	391	89,753	337,294
2001	193,824	-	(959)	50,847	142,018
2000	156,007	-	(66)	31,881	124,060
1999	132,503	-	-	14,841	117,662
1998	107,123	-	(765)	8,641	97,717
1997	120,019	-	-	12,846	107,173
1996	118,445	-	-	5,190	113,255
1995	42,861	-	-	2,732	40,129
1994	37,982	-	-	1,420	36,562
1993	54,196	-	-	371	53,825
	<u>\$ 3,299,677</u>	<u>\$ 23,446,909</u>	<u>\$ 1,107,143</u>	<u>\$ 24,350,534</u>	<u>\$ 3,503,195</u>

Property taxes receivable allocated as follows:

	General Fund	Sinking Fund	Total
Considered current receivable	\$ 136,362	\$ 45,766	\$ 182,128
Allowance for uncollectibles	714,774	239,895	954,669
Deferred revenues	<u>1,771,755</u>	<u>594,643</u>	<u>2,366,398</u>
	2,622,891	880,304	3,503,195
Estimated 2006 tax levy due October 1, 2006 considered as deferred revenue	<u>16,585,217</u>	<u>8,631,228</u>	<u>25,216,445</u>
Total taxes receivable	<u>\$ 19,208,108</u>	<u>\$ 9,511,532</u>	<u>\$ 28,719,640</u>

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED
JUNE 30, 2006

The following uncollected delinquent property taxes are filed for collection in Chancery Court of Madison County:

<u>Year of Levy</u>	<u>Amount</u>
2004	\$ 356,286
2003	280,088
2002	337,294
2001	142,018
2000	124,060
1999	117,662
1998	97,717
1997	107,173
1996	113,255
1995	40,129
1994	36,562
1993	<u>53,825</u>
	<u>\$ 1,806,069</u>

See independent auditor's report.

**CITY OF JACKSON, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
LAST TEN FISCAL YEARS**

<u>Year of Levy</u>	<u>Tax Rate*</u>	<u>Assessed Valuation</u>
2005	2.10	\$ 1,151,348,469
2004	2.22	1,026,628,559
2003	2.22	994,824,661
2002	1.98	993,964,591
2001	1.98	979,005,080
2000	1.98	942,443,570
1999	1.98	909,911,537
1998	2.24	737,149,567
1997	2.24	712,940,557
1996	2.24	627,401,629

*Per \$100 of assessed valuation.

CITY OF JACKSON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Grant Number	CFDA Number	Balance 7/1/05		Cash Receipts	Expenditures	Adjustments	Balance 6/30/06	
			(Receivable) Unearned					(Receivable) Unearned	
U.S. DEPARTMENT OF AGRICULTURE									
Food and Nutrition Service:									
Passed through the State of Tennessee Dept. of Human Services:									
Child and Adult Care Food Program (2005)	03-47-30026-010-1	10.558	\$ (323)	\$ 323	\$ -	\$ -	\$ -	\$ -	\$ -
Child and Adult Care Food Program (2006)	03-47-30026-010-1	10.558	-	1,901	2,002	-	-	(101)	(101)
			(323)	2,224	2,002	-	-	(101)	(101)
Passed through the State of Tennessee Dept. of Agriculture:									
Summer Food Service Program for Children (2003)	47-30005	10.559	(60,797)	144,572	83,775	-	-	-	-
<u>Total U.S. Department of Agriculture</u>			(61,120)	146,796	85,777	-	-	(101)	(101)
U.S. DEPARTMENT OF COMMERCE									
Economic Development Administration:									
Economic Adjustment, Section 209	04-69-05309	11.307	(40,644)	40,644	-	-	-	-	-
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT									
Community Planning and Development:									
Community Development Block Grants/Entitlement		14.218*	(125,962)	501,229	470,256	-	-	(94,989)	(94,989)
Passed through Tennessee Department of Human Services:									
Emergency Shelter Grants Program	Z-05-020659	14.231	(25,936)	25,936	-	-	-	-	-
Emergency Shelter Grants Program	Z-06-026082	14.231	-	55,303	70,285	-	-	(14,982)	(14,982)
			(25,936)	81,239	70,285	-	-	(14,982)	(14,982)
HOME Investment Partnerships Program		14.239	(87,366)	315,587	233,021	-	-	(4,800)	(4,800)
<u>Total U.S. Department of Housing & Urban Development</u>			\$ (239,264)	\$ 898,055	\$ 773,562	\$ -	\$ -	\$ (114,771)	\$ (114,771)

CITY OF JACKSON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont.)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Grant Number	CFDA Number	Balance 7/1/05		Cash Receipts	Expenditures	Adjustments	Balance 6/30/06	
			(Receivable) Unearned					(Receivable) Unearned	
U.S. DEPARTMENT OF INTERIOR									
National Park Service:									
Passed through the State of Tennessee Dept. of Environment and Conservation:									
Outdoor Recreation Acquisition, Development and Planning	GG-03-09832-00	15.916	\$ (18,258)	\$ 18,122	\$ -	\$ 136	(1)	\$ -	
U.S. DEPARTMENT OF JUSTICE									
Office of Justice Programs:									
Passed through the Tennessee Dept. of Finance and Administration,									
Office of Criminal Justice Programs:									
Byrne Formula Grant Program	Z-99-088388-00	16.579	(17,174)	46,033	31,027	-	-	(2,168)	
Byrne Formula Grant Program	Z-99-088340-00	16.579	(29,520)	85,211	83,669	5,511	(2)	(22,467)	
			(46,694)	131,244	114,696	5,511		(24,635)	
U.S. DEPARTMENT OF JUSTICE									
Office of Violence Against Women:									
Violence Against Women Formula Grants (STOP)	Z-00-00-1452-01	16.588	-	42,101	58,213	-	-	(16,112)	
Total passed through the Tennessee Dept. of Finance and Administration, Office of Criminal Justice Programs									
			(46,694)	173,345	172,909	5,511		(40,747)	
Office of Justice Programs:									
Local Law Enforcement Block Grants Program	2003-LB-BX-2266	16.592	84,926	-	84,926	-	-	-	
Local Law Enforcement Block Grants Program	2004-LB-BX-1410	16.592	39,418	-	29,108	-	-	10,310	
			124,344	-	114,034	-	-	10,310	
Community Capacity Development Office Program									
Community Capacity Development Office Program	2005-WS-QX-50030	16.595	(38,919)	154,574	117,501	-	-	(1,846)	
Community Capacity Development Office Program	2004-WS-QX-40034	16.595	(38,918)	38,918	-	-	-	-	
Community Capacity Development Office Program	2001-WS-QX-0227	16.595	(28,372)	-	-	28,372	(3)	-	
			(106,209)	193,492	117,501	28,372		(1,846)	
Community Prosecution and Project Safe Neighborhoods									
	2003-GP-CX-0175	16.609	(52,873)	67,954	57,744	-	-	(42,663)	

CITY OF JACKSON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont.)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Grant Number	CFDA Number	Balance 7/1/05 (Receivable) Unearned	Cash Receipts	Expenditures	Adjustments	Balance 6/30/06 (Receivable) Unearned
U.S. DEPARTMENT OF JUSTICE (Cont.)							
Office of Community Oriented Policing Services:							
Public Safety Partnership and Community Policing	1999-CM-WX-2319	16.710*	\$ -	\$ -	\$ 10,010	\$ -	\$ (10,010)
Public Safety Partnership and Community Policing	2003-CK-WX-0462	16.710*	(132,225)	144,020	11,795	-	-
Public Safety Partnership and Community Policing	2003-CK-WX-0181	16.710*	(744,706)	416,876	149,444	-	(477,274)
Public Safety Partnership and Community Policing	2004-CK-WX-0153	16.710*	-	-	600,741	-	(600,741)
			<u>(876,931)</u>	<u>560,896</u>	<u>771,990</u>	<u>-</u>	<u>(1,088,025)</u>
Office of Justice Programs:							
Byrne Memorial Justice Assistance Grant Program	2005-DJ-BX-1130	16.738	-	17,490	35,000	-	(17,510)
			<u>(958,363)</u>	<u>1,013,177</u>	<u>1,269,178</u>	<u>33,883</u>	<u>(1,180,481)</u>
Total U.S. Department of Justice							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Highway Administration:							
Passed through the State of Tennessee Dept. of Transportation:							
Highway Planning and Construction	Z-06-030931-00	20.205	-	70,611	111,711	-	(41,100)
Highway Planning and Construction	Z-05-024245-00	20.205	(40,388)	74,652	34,264	-	-
			<u>(40,388)</u>	<u>145,263</u>	<u>145,975</u>	<u>-</u>	<u>(41,100)</u>
Urban Mass Transportation Capital and Operating Assistance Formula Grants							
Section 8 - Operating Assistance (Planning)		20.500	-	11,784	11,784	-	-
Section 8 - Operating Assistance (Planning)		20.500	-	8,418	8,418	-	-
			<u>-</u>	<u>20,202</u>	<u>20,202</u>	<u>-</u>	<u>-</u>
Section 9 - Operating Assistance		20.507*	-	129,963	129,963	-	-
Section 9 - Operating/Capital Assistance		20.207*	-	72,000	72,000	-	-
Section 9 - Operating Assistance		20.507*	-	5,078	5,078	-	-
Section 9 - Capital Assistance		20.507*	-	210,324	210,324	-	-
			<u>\$ -</u>	<u>\$ 417,365</u>	<u>\$ 417,365</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF JACKSON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont.)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Grant Number	CFDA Number	Balance 7/1/05 (Receivable) Unearned	Cash Receipts	Expenditures	Adjustments	Balance 6/30/06 (Receivable) Unearned
Passed through the State of Tennessee Dept. of Transportation:							
Urban Mass Transportation Capital and Operating Assistance Formula Grants							
Section 3 - Capital Assistance		20.509	\$ -	\$ 52,724	\$ 52,724	\$ -	\$ -
Section 3 - Capital Assistance		20.509	-	59,680	59,680	-	-
Section 3 - Capital Assistance		20.509	-	22,153	22,153	-	-
			-	134,557	134,557	-	-
Section 3 - Capital Assistance		20.516	-	81,018	81,018	-	-
			-	215,575	215,575	-	-
<u>Total passed through the Tennessee Dept. of Transportation</u>			(40,388)	798,405	799,117	-	(41,100)
<u>Total U.S. Department of Transportation</u>							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Substance Abuse and Mental Health Services Administration:							
Projects of Regional and National Significance		93.243	-	45,953	63,744	-	(17,791)
Administered and managed by the Dept. of Justice, Office of Juvenile Justice and Delinquency Prevention:							
Drug Free Communities Support Programs Grant		93.276	(16,017)	16,017	7,947	-	(7,947)
<u>Total U.S. Department of Health and Human Services</u>			(16,017)	61,970	71,691	-	(25,738)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Federal Emergency Management Agency:							
Passed through the State of Tennessee Emergency Management Agency:							
Hazard Mitigation Grant		97.039*	(1,335,562)	2,359,406	1,402,523	-	(378,679)
<u>Total Expenditures of Federal Awards</u>			\$ (2,709,616)	\$ 5,336,575	\$ 4,401,848	\$ 34,019	\$ (1,740,870)

* Denotes a major program

All expenditures reported are under the modified accrual basis of accounting whereby revenues are recorded when measurable and available and expenditures are recorded when the liability is incurred.

- (1) This adjustment represents the difference between the amount of grant funds requested and the amount received.
- (2) The receivable recorded in the prior year was overstated by \$5,511.
- (3) Requests from prior years were not paid by the grantor. These funds had been recorded as a receivable in prior years.

CITY OF JACKSON, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Source/Grant Name	State Grant Number	Balance 7/1/05		Cash Receipts	Balance 6/30/06	
		(Receivable) Unearned	\$		(Receivable) Unearned	\$
TENNESSEE DEPARTMENT OF TRANSPORTATION						
Highway Planning and Construction	Z-05-024245-00	\$ -	\$ 18,663	\$ 18,663	\$ -	-
Capital Assistance	GG-05-11938	-	9,000	9,000	-	-
Operating/Capital Assistance	GG-04-01968	-	522	522	-	-
Operating/Capital Assistance	GG-04-10967	-	5,400	5,400	-	-
Operating/Capital Assistance	GG-02-09309	-	1,347	26,292	(24,945)	-
Operating/Planning Assistance	GG-04-10505	-	6,422	6,422	-	-
Operating/Planning Assistance	GG-06-12263	-	1,473	1,473	-	-
Operating Assistance	GG-05-11298	-	40,508	40,508	-	-
Operating Assistance	GG-05-11696	-	2,769	2,769	-	-
Operating Assistance	GG-06-12080	-	419,350	419,350	-	-
Operating Assistance	GG-05-11606	-	4,434	4,434	-	-
Operating Assistance	GG-04-10640	-	95,250	95,250	-	-
Operating Assistance	GG-05-11297	114,086	140,096	26,010	-	-
<u>Total Tennessee Department of Transportation</u>		<u>114,086</u>	<u>745,234</u>	<u>656,093</u>	<u>(24,945)</u>	
TENNESSEE DEPARTMENT OF AGRICULTURE						
Market Development	Z-06-031146-00	-	-	9,251	(9,251)	-
TENNESSEE ARTS COUNCIL						
Passed through the Jackson Arts Council:						
ABC Program		-	2,735	2,735	-	-
APS Program	Z-05-023158-00	-	1,000	1,000	-	-
<u>Total Tennessee Arts Council</u>		-	<u>3,735</u>	<u>3,735</u>	-	-
<u>Total State Financial Assistance</u>		<u>\$ 114,086</u>	<u>\$ 748,969</u>	<u>\$ 669,079</u>	<u>\$ (34,196)</u>	

See independent auditor's report.

STATISTICAL SECTION

CITY OF JACKSON, TENNESSEE
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	General Government	Public Safety	Public Works(1)	Public Welfare	Debt Service(2)	Capital Projects	Total
1997	\$ 9,658	\$ 13,742	\$ 4,489	\$ 5,045	\$ 4,084	\$ 12,293	\$ 49,311
1998	10,513	14,568	7,495	5,628	4,619	26,376	69,199
1999	12,128	15,755	8,428	7,393	6,223	17,165	67,092
2000	10,596	16,280	8,322	7,537	7,132	4,862	54,729
2001	15,088	17,819	8,934	7,418	7,221	6,858	63,338
2002	21,310	17,494	8,929	7,213	7,032	6,817	68,795
2003	23,333	19,502	15,029	8,470	7,391	6,908	80,633
2004	24,547	19,623	13,071	7,047	8,010	6,400	78,698
2005	28,419	20,051	12,648	7,079	5,949	13,099	87,245
2006	30,266	20,889	10,605	6,893	6,326	10,682	85,660

(1) Years ended June 30, 1998, and after include sanitation billing which was transferred from the enterprise fund to a special revenue fund on July 1, 1997.

(2) Excludes debt refundings

CITY OF JACKSON, TENNESSEE
GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Fines, Interest & Penalties</u>	<u>Use of Money and Property</u>	<u>Intergovernmental</u>	<u>Sales and Service Charges(1)</u>	<u>Other</u>	<u>Total</u>
1997	\$ 16,943	\$ 2,912	\$ 999	\$ 2,276	\$ 14,816	\$ 441	\$ 1,979	\$ 40,366
1998	18,313	3,168	1,193	4,352	16,319	6,523	2,128	51,996
1999	19,866	3,218	1,203	2,505	19,177	6,877	2,565	55,411
2000	21,110	3,269	1,156	3,193	18,736	8,014	1,190	56,668
2001	22,158	3,194	1,317	1,937	21,657	8,266	1,983	60,512
2002	23,320	3,288	1,339	1,830	26,428	8,433	2,278	66,916
2003	24,275	3,262	1,208	1,801	27,826	8,306	2,108	68,786
2004	26,885	3,559	1,274	1,715	30,962	8,828	5,534	78,757
2005	28,087	3,636	1,375	1,955	36,458	9,372	4,656	85,539
2006	29,437	4,448	1,722	2,828	31,439	10,283	2,297	82,454

(1) Years ended June 30, 1998, and after include sanitation billing which was transferred from the enterprise fund to a special revenue fund on July 1, 1997.

CITY OF JACKSON, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
1997	\$ 627,483	\$ 14,054	\$ 13,800	98.2%	\$ 1,194	8.5%
1998	712,941	15,100	14,944	99.0%	2,004	13.3%
1999	737,150	16,512	16,295	98.7%	1,389	8.4%
2000	909,912	18,016	16,607	92.2%	1,141	6.3%
2001	942,444	18,660	17,277	92.6%	1,337	7.2%
2002	979,005	19,384	18,047	93.1%	1,209	6.2%
2003	993,965	19,052	18,406	96.6%	1,274	6.7%
2004	994,825	21,400	20,781	97.1%	1,787	8.4%
2005	1,026,629	22,140	21,353	96.4%	1,827	8.3%
2006	1,151,348	23,447	22,898	97.7%	1,806	7.7%

See independent auditor's report.

CITY OF JACKSON, TENNESSEE
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO GENERAL GOVERNMENTAL EXPENDITURES(1)
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Principal(2)	Interest(3)	Total Debt Service	Total General Government Expenditures(4)	Ratio of Debt Service to General Government Expenditures
1997	\$ 2,415	\$ 1,549	\$ 3,964	\$ 33,896	11.7%
1998	2,550	2,068	4,618	42,823	10.8%
1999	3,224	2,996	6,220	49,946	12.5%
2000	4,189	2,942	7,131	49,867	14.3%
2001	4,403	2,817	7,220	55,611	13.0%
2002	4,649	2,382	7,031	61,978	11.3%
2003	5,173	2,218	7,391	73,725	10.0%
2004	5,969	2,041	8,010	72,298	11.1%
2005	3,559	2,391	5,950	74,146	8.0%
2006	3,443	2,883	6,326	74,979	8.4%

- (1) Excludes debt reported in enterprise funds
(2) Excludes debt refundings
(3) Excludes bond issuance and other costs
(4) Excludes capital projects expenditures

OTHER UNAUDITED INFORMATION

CITY OF JACKSON, TENNESSEE
GENERAL DESCRIPTION

The City of Jackson, Tennessee (the City), the county seat of Madison County, was founded in 1822. Located approximately 85 miles northeast of Memphis and 120 miles southwest of Nashville, the City is the largest city in rural West Tennessee. Jackson encompasses a land area of approximately 49 square miles and serves as West Tennessee's economic, cultural and healthcare center. The population is approximately 59,643 according to the 2000 census report.

Government. The City operates under a Mayor and Council form of government. The Mayor, elected to four-year terms directly by the voters, is the Chief Administrative Officer of the City and serves as the presiding officer of the City Council. The City Council is comprised of nine members elected to four-year terms by district.

The City provides a wide range of services to its citizens including police and fire protection, solid waste disposal, public transportation, recreation, libraries and public meeting facilities. Currently, there are approximately 700 regular full-time employees. The Jackson Energy Authority provides water, sewer, gas and electrical utilities, and soon, telecommunications. The Authority is governed by a Board of Directors appointed by the City.

Economy. The City enjoys a diverse economy based on retail trade, manufacturing, agriculture and service-related business. The unemployment rate is consistently below the state average. Major corporations currently operating manufacturing or distribution facilities in the City include Proctor & Gamble, Maytag, Porter-Cable, DeVilbiss Air Power, International Paper and Delta Faucet. Retail sales in the City were \$2.01 billion in 2005.

Transportation. Major highway transportation is provided by U.S. Interstate 40, three federal highways and two state highways. Railroad transportation is provided by CSX and West Tennessee Railroad. The City jointly owns and operates McKellar-Sipes Regional Airport with Madison County. The airport has a 6,000 foot runway and provides general aviation and charter services. Corporate Express offers two daily non-stop flights to St. Louis.

Education. The Jackson and Madison County school systems were consolidated in 1990. The system currently consists of fourteen elementary schools, three intermediate schools, five middle schools, three high schools, and two alternative schools. There are also six private schools. The City is home to six institutions of higher learning, including Jackson State Community College, Lambuth University, Lane College, Union University, West Tennessee Business College, and Tennessee Technology Center.

Healthcare. The City is served by two major healthcare facilities: Jackson-Madison County General Hospital, a 697-bed general acute care facility operated by a Board appointed by Madison County and the City, and Regional Hospital of Jackson, a 164-bed facility owned and operated by CHS. There are 44 medical clinics, 19 retirement or nursing homes and more than 450 physicians practicing in the Jackson.

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**CITY OF JACKSON, TENNESSEE
HISTORICAL INFORMATION**

	POPULATION (in thousands)					Percent Change	
	2000	1995	1990	1980	1970	1980-95	1970-95
	Jackson	60	53	49	49	40	7.8%
Tennessee	5,609	5,256	4,877	4,591	3,926	14.5%	33.9%
United States	283,876	262,755	249,632	226,546	203,302	16.0%	29.2%

Source: 2000 U.S. Census, Sales & Marketing Magazine's 2001 Survey of Buying Power

2000 POPULATION BY AGE GROUP: CITY, STATE AND NATION

<u>Age Group</u>	<u>Jackson</u>	<u>Tennessee</u>	<u>United States</u>
Under 18 years	25.2%	24.9%	25.7%
18 to 24 years	11.1%	9.2%	9.1%
25 to 34 years	12.9%	13.1%	13.7%
35 to 49 years	20.4%	23.7%	23.3%
50 years and over	30.4%	29.1%	28.1%

Source: 2000 U.S. Census

2000 PERCENTAGE OF HOUSEHOLD BY EFFECTIVE BUYING INCOME

	<u>Jackson</u>	<u>Tennessee</u>	<u>United States</u>
Under \$20,000	25.3%	26.4%	21.9%
\$20,000 - \$34,999	25.7%	25.6%	23.5%
\$35,000 - \$49,999	17.3%	18.1%	19.3%
\$50,000 and over	31.7%	29.9%	35.3%
Median Household EBI	\$ 34,516	\$ 33,951	\$ 33,365

Source: Sales & Marketing Magazine's 2002 Survey of Buying Power

**CITY OF JACKSON, TENNESSEE
HISTORICAL INFORMATION (Cont.)**

SOCIAL AND ECONOMIC CHARACTERISTICS

	<u>Tennessee</u>	<u>Jackson</u>	<u>Madison County</u>
Median value owner occupied housing	\$ 93,000	\$ 81,800	\$ 85,100
% High school graduates or higher persons 25 years old & older	75.9%	77.7%	78.8%
% Families with income below poverty level	19.6%	22.7%	21.5%
Median family income	\$ 43,517	\$ 40,922	\$ 44,595

Source: 2000 U.S. Census

LABOR FORCE TRENDS

Year	Persons	Persons	Unemployment Rate		
	Employed in Madison Cty	Unemployed in Madison Cty	Madison County	Tennessee	USA
1991	39,400	2,360	5.7%	6.6%	6.7%
1992	39,420	2,470	5.9%	6.4%	7.4%
1993	38,490	2,250	5.5%	5.7%	6.8%
1994	43,330	1,980	4.4%	4.8%	6.1%
1995	44,290	2,340	5.0%	5.2%	5.6%
1996	45,140	2,160	4.6%	5.2%	5.4%
1997	45,210	2,140	4.5%	5.4%	4.9%
1998	46,720	1,660	3.4%	4.2%	4.5%
1999	48,050	1,290	2.6%	3.4%	4.2%
2000	49,770	1,760	3.4%	4.2%	4.6%
2001	50,070	2,190	4.2%	4.0%	4.9%
2002	51,527	2,620	5.1%	5.1%	5.8%
2003	50,890	2,950	5.8%	5.8%	6.0%

Source: Tennessee Department of Employment Security

RETAIL SALES BY STORE GROUP (for Madison County)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Total retail sales (000's)	\$ 1,880,273	\$ 1,565,064	\$ 1,827,131	\$ 1,200,835	\$ 1,008,385
Food	183,226	140,415	145,924	125,508	83,675
Eating & drinking places	137,140	125,260	130,824	113,930	105,803
General merchandise	346,432	304,119	321,772	307,148	235,380
Furniture, furnishings, appliances	172,937	153,517	168,079	171,766	53,195
Automotive	242,349	210,046	240,588	285,475	224,758

In thousands of dollars

Source: Sales & Marketing Magazine's 2003 Survey of Buying Power

UNAUDITED

**CITY OF JACKSON, TENNESSEE
HISTORICAL INFORMATION (Cont.)**

TOP TEN MANUFACTURERS

	Employees	Product
1. Proctor & Gamble	1,280	Food Products
2. Porter-Cable/Delta (Black & Decker)	1,200	Professional Power Tools
3. Delta Faucet	700	Bath/Kitchen Faucets
4. De Vilbiss Air Power Company	650	Air Compressors/Generators
5. Maytag Corporation	610	Dishwashers
6. Pinnacle Foods	560	Frozen Food Products
7. Armstrong Wood Products	515	Hardwood Floor and Cabinet Products
8. TBDN Tennessee Company	470	Painted Aluminum Foil & Light Gauge Foil
9. International Paper	350	Packaging Products
10. Gerdau Ameristeel	340	Steel Reinforcements

Source: Jackson Area Chamber of Commerce

TOP TEN NON-MANUFACTURING EMPLOYERS

	Employees	Product
1. West Tennessee Healthcare	5,200	Hospital
2. Jackson Madison County School System	1,848	School System
3. The Jackson Clinic	872	Medical Services
4. Jackson State Community College	788	Community College
5. City of Jackson	755	City Government
6. Madison County	574	County Government
7. Madison-Haywood Developmental Center	552	Shelter Workshop
8. Regional Hospital of Jackson	504	Hospital
9. Union University	460	Private University
10. Wal-Mart	446	Retail

Source: Jackson Area Chamber of Commerce

CITY OF JACKSON, TENNESSEE
PRO FORMA
GENERAL OBLIGATION DEBT STATEMENT
AS OF JUNE 30, 2006

Series 2004 Tennessee Municipal Bond Fund Notes (General Improvement)	\$ 20,638,296
Series 2003 Tennessee Municipal Bond Fund Notes (General Improvement)	10,000,000
Series 2001 Tennessee Municipal Bond Fund Notes (Refunding/Improvements)	20,485,000
Series 1997 General Obligation Refunding & Improvement Bonds	22,940,000
Series 1996 Tennessee Municipal Bond Fund Notes (Interchange)	<u>2,598,800</u>
<u>Total General Obligation Debt</u>	<u>\$ 76,662,096</u>
Overlapping General Obligation Debt (70.9% of Madison County)	<u>49,707,000</u>
<u>General Obligation and Overlapping Debt</u>	<u>\$ 126,369,096</u>

RATIOS

Total General Obligation Debt to Assessed Value	6.38%
Total General Obligation Debt to Estimated Actual Value	2.00%
General Obligation and Overlapping Debt to Assessed Value	10.52%
General Obligation and Overlapping Debt to Estimated Actual Value	3.29%

PER CAPITA

Assessed Value	\$ 20,000
Estimated Actual Value	64,000
Total General Obligation Debt	1,300
Net General Obligation and Underlying Debt	2,100

Source: Madison County Tax Assessor, Jackson Planning Department, Madison County Accounting Department

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**CITY OF JACKSON, TENNESSEE
SCHEDULE OF ASSESSED, APPRAISED AND ESTIMATED
ACTUAL VALUES**

Type of Property	2006 Assessed Value	2006 Appraised Value	2006* Actual Value
Industrial and commercial	\$ 522,637,160	\$ 1,306,592,900	\$ 1,182,205,256
Residences and farms	451,332,600	1,805,330,400	1,633,462,946
Person tangible property	192,470,986	641,569,953	580,492,493
Public utilities**	34,831,590	87,078,975	78,789,057
Total	<u>\$ 1,201,272,336</u>	<u>\$ 3,840,572,228</u>	<u>\$ 3,474,949,752</u>

*Based on sales/appraisal ratio of 90.48%

**Public Utilities as reported by State Board of Property Assessments, Jan 2005

The State of Tennessee classifies property for assessment as follows:

- Industrial and Commercial
- Residences and Farms
- Person Tangible Property
- Public Utilities

NOTE: The effective date of the latest reappraisal program was 2005

**TREND OF ASSESSED VALUATION AND TAX COLLECTIONS
as of June 30, 2006**

Tax Year	Assessed Valuation	Tax Rate	Taxes Levied	% Collected	Total Collections	Outstanding Delinquent Taxes
2006	\$ 1,201,272,336	2.10	\$ 25,428,717	N/A	N/A	N/A
2005	1,163,855,667	2.10	24,440,969	94.3%	23,052,385	1,388,584
2004	1,041,947,401	2.22	22,755,738	93.3%	21,228,989	1,526,749
2003	1,012,511,354	2.22	22,477,752	92.3%	20,739,782	1,737,970
2002	1,006,405,115	1.98	19,926,821	92.4%	18,406,327	1,520,494
2001	940,082,828	1.98	18,613,640	98.0%	18,233,096	380,544
2000	942,443,570	1.98	18,613,640	95.9%	17,849,144	764,496
1999	909,911,537	1.98	18,016,248	98.6%	17,766,299	249,949
1998	737,149,567	2.24	17,045,153	99.0%	16,883,037	162,116
1997	712,940,557	2.24	15,099,698	98.9%	14,939,281	160,417
1996	627,401,629	2.24	14,067,322	99.0%	13,920,770	146,552
1995	594,789,200	2.24	13,323,278	99.6%	13,265,910	57,368
1994	542,261,852	2.24	12,146,665	99.6%	12,101,487	45,175

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**CITY OF JACKSON, TENNESSEE
SCHEDULE OF TEN LARGEST TAXPAYERS**

	Assessed Valuation	Taxes Due	Products/Services
1. Proctor & Gamble Mfg. Co.	\$ 27,424,959	\$ 575,924	Food Products
2. BellSouth	16,474,080	345,956	Communications
3. Regional Hospital of Jackson	12,670,389	266,077	Hospital
4. DeVilbiss Air Power Company	11,835,766	248,551	Air Compressors
5. TBDN Tennessee Company	11,472,393	240,920	Auto Parts
6. Pinnacle Foods	10,114,279	212,400	Food Products
7. Owens Corning	9,930,136	208,532	Roofing Materials
8. Maytag Mfg. Co.	9,549,078	200,531	Appliances
9. Old Hickory Mall	9,534,248	200,219	Shopping Mall
10. Porter Cable	10,468,808	185,085	Power Tools

Based on Year 2006 tax information

Source: City 2006 Tax Rolls

**SUMMARY OF CERTAIN FUND BALANCES / NET ASSETS
Fiscal Years Ended June 30**

	2006	2005	2004	2003	2002	2001	2000
General Fund	\$ 13,484,615	\$ 10,378,224	\$ 4,769,798	\$ 3,698,687	\$ 12,123,893	\$ 11,204,223	\$11,016,698
Special Revenue Funds	2,290,521	2,237,692	7,429,385	5,723,901	5,442,432	4,502,488	3,082,422
Debt Service Fund	965,901	4,031,359	1,305,977	976,145	1,114,254	1,050,922	1,763,336

**SCHEDULE OF LOCAL OPTION SALES TAX
Fiscal Years Ended June 30**

<u>Year</u>	<u>Collections</u>	<u>Percent Change</u>
2006	\$ 11,086,285	5.40%
2005	10,517,727	-4.00%
2004	10,961,545	13.95%
2003	9,619,318	0.23%
2002	9,597,003	0.94%
2001	9,688,415	2.54%
2000	9,941,290	5.64%
1999	9,410,605	6.57%
1998	8,830,302	9.37%
1997	8,074,135	7.41%
1996	7,517,087	6.02%
1995	7,090,436	12.90%
1994	6,280,462	9.10%
1993	5,756,855	9.40%

Source: Tennessee Department of Revenue

UNAUDITED

CITY OF JACKSON, TENNESSEE
SUMMARY OF REVENUES AND EXPENDITURES
GENERAL FUND AND DEBT SERVICE FUND
Fiscal Years Ended June 30

	2006	2005	2004	2003	2002	2001
Revenues:						
Property taxes	\$ 24,104,388	\$ 22,979,999	\$ 21,989,055	\$ 19,685,259	\$ 19,080,409	\$ 18,073,089
Tax equivalents	3,530,620	3,204,230	2,956,845	2,824,215	2,597,075	2,515,623
Local option sales tax	20,361,119	19,326,198	19,407,174	17,684,433	17,648,293	12,893,258
Beer tax	1,802,087	1,802,723	1,852,966	1,683,882	1,642,829	1,568,978
Licenses and permits	4,447,612	3,636,147	3,558,608	3,261,709	3,288,119	3,172,342
Fines & penalties	1,539,071	1,286,407	1,154,485	1,102,917	1,129,041	1,101,743
Interest income	210,249	114,751	49,837	110,416	188,433	338,730
Other property income	1,975,154	1,312,787	1,362,870	1,433,226	1,487,262	1,651,187
State of Tennessee	7,533,175	7,061,445	6,643,469	7,095,040	7,255,695	5,140,364
Federal government	2,688,947	8,563,499	3,445,875	910,788	473,028	424,017
Other and Net Transfers	1,063,211	1,332,364	3,058,454	1,436,951	1,412,242	9,740,167
Total revenues	69,255,633	70,620,550	65,479,638	57,228,836	56,202,426	56,619,498
Expenditures:						
General government	28,788,018	27,154,787	23,045,876	22,581,649	20,993,384	14,860,603
Public safety	20,713,861	19,897,631	19,464,373	19,395,563	17,384,327	17,685,163
Public works	5,058,598	7,274,805	8,216,873	10,243,587	4,372,366	2,888,907
Public welfare	5,980,332	5,504,327	5,508,183	6,219,899	5,944,041	6,189,010
Net debt service	6,231,666	5,886,646	7,394,170	6,780,673	6,423,559	6,557,927
Total expenditures	66,772,475	65,718,196	63,629,475	65,221,371	55,117,677	48,181,610
Excess of revenues over (under) expenditures	2,483,158	4,902,354	1,850,163	(7,992,535)	1,084,749	8,437,888
Net Transfers In (Out) and Other Sources (Uses)	(2,442,225)	3,773,907	(480,000)	(540,000)	(459,619)	(9,091,167)
Excess of revenues and net transfers over (under) expenditures	40,933	8,676,261	1,370,163	(8,532,535)	625,130	(653,279)
COMBINED FUND BALANCES:						
BEGINNING BALANCE	14,409,583	6,075,775	4,705,612	13,238,147	12,255,145	12,780,034
CORRECTION OF PRIOR PERIOD	-	(342,453)	-	-	-	128,390
RESIDUAL EQUITY TRANSFER	-	-	-	-	357,872	-
ENDING BALANCE	\$ 14,450,516	\$ 14,409,583	\$ 6,075,775	\$ 4,705,612	\$ 13,238,147	\$ 12,255,145

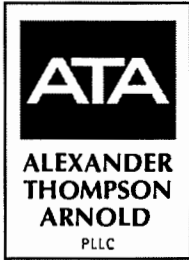
Note: FY2001 includes receipt of funds for refunding bonds (\$8.4 million).

FY2002 includes full year of local sales tax for schools and State Street Aid expense in General Fund.

FY2003 includes \$5.8 million expenditure for tornado cleanup, which will be partially reimbursed.

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INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

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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*

Honorable Charles H. Farmer, Mayor
 Members of the Council
 City of Jackson, Tennessee

We have audited the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jackson, Tennessee (the City), as of and for the year ended June 30, 2006, and we have issued our report thereon dated October 6, 2006. We did not audit the financial statements of the Jackson Transit Authority (JTA) or the Jackson Energy Authority (JEA). Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for JTA and JEA, is based solely on the reports of the other auditors. Additionally, this report, insofar as it relates to JTA and JEA, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is also considered to be a material weakness.

Alamo, TN
 Dyersburg, TN
 Fulton, KY
 Henderson, TN
 Jackson, TN

Martin, TN
 Milan, TN
 McKenzie, TN
 Paris, TN
 Trenton, TN
 Union City, TN

Honorable Charles H. Farmer, Mayor
Members of the Council
City of Jackson, Tennessee
Page 2

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, and the tests of the other auditors, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

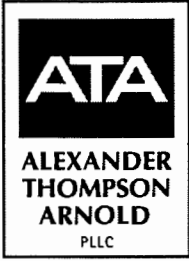
We noted certain matters that we reported to management of the City in a separate letter dated October 6, 2006.

This report is intended solely for the information of the City Council, management, and federal awarding agencies, pass-through entities and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Alexander Thompson" followed by a flourish.

Certified Public Accountants

Jackson, Tennessee
October 6, 2006



Certified Public Accountants

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Report on Compliance with Requirements
Applicable to Each Major Program and on
Internal Control over Compliance in Accordance
With OMB Circular A-133

Honorable Charles H. Farmer, Mayor
Members of the Council
City of Jackson, Tennessee

Compliance

We have audited the compliance of City of Jackson, Tennessee (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. 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 on the City’s compliance with those requirements.

As described in item 06-01 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding comparable housing assistance payments that are applicable to its Federal Emergency Management Hazard Mitigation Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Alamo, TN
Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN

Martin, TN
Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Internal Control over Compliance

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal award program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 06-01.

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

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, pass-through entities and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Alexander Thompson" followed by a stylized flourish.

Certified Public Accountants

Jackson, Tennessee
October 6, 2006

CITY OF JACKSON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	<u> X </u> yes <u> </u> no
Reportable conditions identified not considered to be material weaknesses?	<u> </u> yes <u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	<u> X </u> yes <u> </u> no
Reportable conditions identified not considered to be material weaknesses?	<u> </u> yes <u> X </u> no

Type of auditor's report issued on compliance for major programs:	Qualified
---	-----------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> X </u> yes <u> </u> no
---	-----------------------------------

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement
16.710	Public Safety Partnership and Community Policing Grants
20.507	Urban Mass Transportation Capital and Operating Assistance Formula Grants
97.039	Federal Emergency Management Hazard Mitigation Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 300,000 </u>
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Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no
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CITY OF JACKSON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)
JUNE 30, 2006

SECTION II - FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None

SECTION III - FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD PROGRAMS

06-01 Allowable Expenditures (Non-Compliance)

Condition: During our audit of the City's Hazard Mitigation Grant, we noted that the comparable housing allowance was paid to several individuals receiving assistance under the grant who were not eligible to receive this additional allowance.

Criteria: The federal provisions of the Hazard Mitigation Grant set forth specific guidelines for the payment of the comparable housing allowance up to \$22,500 per recipient. These guidelines were not adhered to in that several individuals received these additional funds without appropriate qualifications.

Effect: Unallowable grant expenditures of approximately \$214,565 occurred through the year ended June 30, 2006.

Recommendation: Proper internal controls should be applied to grant disbursements to ensure that all of the grant provisions are considered and adhered to.

Response: The City was informed by TEMA that the \$22,500 per recipient was an allowed expenditure for comparable housing allowance in the Mitigation Grant. However, in the future, the City will make more diligent efforts in researching this information further and getting a full commitment in writing as to what are allowable costs and reviewing the federal provisions to make sure there are no discrepancies and that what we are told does agree with federal provisions.

CITY OF JACKSON, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006

No prior year findings were noted.

CORRECTIVE ACTION PLAN

The City of Jackson, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2006.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2006

The findings from the June 30, 2006, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

06-01 Allowable Expenditures (Non-Compliance)

Recommendation: Proper internal controls should be applied to grant disbursements to ensure that all of the grant provisions are considered and adhered to.

Action Taken: The City was informed by TEMA that the \$22,500 per recipient was an allowed expenditure for comparable housing allowance in the Mitigation Grant. However, in the future, the City will make more diligent efforts in researching this information further and getting a full commitment in writing as to what are allowable costs and reviewing the federal provisions to make sure there are no discrepancies and that what we are told does agree with federal provisions.