



CITY OF JACKSON, MISSISSIPPI

C. A. F. R.

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For The Year Ended September 30, 2007
Prepared by: Department of Administration
Finance Division

**CITY OF JACKSON
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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INTRODUCTION SECTION

Department of Administration



200 South President Street
Post Office Box 17
Jackson, Mississippi 39205-0017

Frank E. Melton
Mayor of the City of Jackson

May 30, 2008

**Honorable Frank E. Melton, Members of the City Council, and
Citizens of the City of Jackson, Mississippi:**

A requirement of Mississippi law is that local governments annually publish audited financial statements. Accordingly, the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2007 for the City of Jackson, MS is submitted herewith.

An unqualified opinion on the financial statements of the City of Jackson, MS has been issued by Bruno & Tervalon LLP, CPA's and Smith Turner & Reeves P A, CPA's for the year ended September 30, 2007. The Independent Auditors' Report is included in the front of the financial section of the CAFR. The City of Jackson is also required to have an audit performed in compliance with the Single Audit Act of 1984 regarding grants received from the federal government.

The dedicated and professional staff of the Finance Division, Department of Administration, prepared this report in accordance with Generally Accepted Accounting Principles (GAAP). We maintain that the data is accurate in all material aspects and is presented in a manner designed to set forth fairly the financial activities of the various funds of the local government. The responsibility for the accuracy of the data and the fairness and completeness of the presentation, including any disclosures necessary to enable the reader to gain an understanding of the fiscal affairs of the City, is entrusted to the administration of the local government. We further assert that the internal controls implemented provide reasonable assurance that the financial statements are free of any material misstatements.

All of the funds and account groups of the City of Jackson, MS, as well as the Jackson Redevelopment Authority (JRA), and the Capital City Convention Center Commission, component units of the city, and enterprise operations are included in the 2007 CAFR. JRA and the Capital City Convention Center Commission are presented as a proprietary fund type within the CAFR because the City exercises significant oversight responsibility. The approval of JRA's administrative operating costs and appointments to its Board of Commissioners are authorized by the City's governing body. Additionally, JRA accounts for its separate funds and maintains revenues sufficient to meet their operating costs, debt service and system replacement and maintenance needs for their parking garages and other urban renewal projects. The Capital City Convention Center Commission is accountable as a component unit of the City because of its fiscal dependency on the City of Jackson.

Four Enterprise Funds, which provide a variety of services on a fee-for-services basis, are among those funds whose financial operations are included in the CAFR. These Enterprise Funds are the Water/Sewage Disposal System, Madison Sewage Disposal System, Transportation, and Sanitation and Recycling.

Organizationally, the 2007 CAFR provides information in three major sections: Introductory, Financial, and Statistical. The Introductory Section encompasses the Letter of Transmittal, the Organizational Chart of the Executive Branch of the City of Jackson, MS, a list of principal elected and appointed officials, and the 2006 Certificate of Achievement for Excellence in Financial Reporting which was awarded to the City by the Government Finance Officers Association. The Financial Section consists of the Independent Auditors' Report, the Basic Financial Statements, and the various individual fund and account group financial statements and schedules. Additionally, a narrative introduction, overview, and analysis are provided in the form of Management's Discussion and Analysis (MD&A). We recommend that the MD&A on pages 3-11 be carefully examined by the reader to provide a more concise picture of the financial position of the City.

DESCRIPTION OF CITY OF JACKSON, MS

Historical Background

The City of Jackson, MS was founded in 1821 at the site of a trading post that was situated on a "high and handsome bluff" on the west bank of the Pearl River, which is located in the central region of the state. It is said that the trading post was operated by a French-Canadian trader named Louis LeFleur, who gave the town its original name of LeFleur's Bluff. The Mississippi Legislature wanted the seat of government moved out of the Natchez area and into a more central location. Thomas Hinds, James Patton and William Lattimore were then commissioned to locate the ideal site for the state capital. Their report to the General Assembly was that LeFleur's Bluff had "beautiful and healthful surroundings, good water, abundant timber, navigable waters, and nearness to the Natchez trace." A legislative act dated November 28, 1821 authorized the location to be the permanent seat of government and that it would be named Jackson in honor of Major General Andrew Jackson who later would become the seventh president of the United States. A \$3,500 contract was let to build Mississippi's first capitol, a two-story brick structure 40 feet by 30 feet, where the opening session was held on December 23, 1822. A second capitol building, popularly known as the "Old Capitol," was completed in 1840 and remained in use until 1903. The building, restored in 1961, has become Mississippi's Historical Museum. The New Capitol building, a magnificent structure patterned after the National Capitol, was completed in 1903.

During the Civil War, the town was ravaged and burned three times by Union troops under the command of General William Tecumseh Sherman. The destruction prompted the unwelcome nickname of "Chimneyville." Although less than 8,000 people lived in Jackson at the turn of the century, its population began accelerating rapidly after 1900.

Jackson Today

Presently, Jackson has 184,256 citizens within its radius of 102.59 square miles. Since 1985, the City of Jackson, MS operates under the mayor-council form of government. Prior to 1985, the commission form of government, which included a mayor and two commissioners elected at-large, was in place. Currently, the municipal government is comprised of the mayor, who is elected at large, and seven council members, who are elected by ward. In June 2005, the City elected Frank E. Melton as its mayor. The mayor and council members, who have policy-making and legislative authority, serve four-year terms. The Mayor appoints, and the City Council approves, the Chief Administrative Officer, City Attorney, and eight department heads. City leaders are committed to ensuring that the municipality has a healthy financial outlook while providing essential services.

A comprehensive range of municipal services including public safety, street maintenance, water, sewer, and sanitation services, social programs, recreation activities, cultural events and general administration are provided to Jackson's citizens. These services are provided in the context of the broad public policy initiatives as determined by the elected officials of Jackson, MS. Youth and Education, Crime Prevention, Neighborhood Enhancement, Economic Development, Changes in City Government, Quality of Life, and Infrastructure and Transportation were the policy initiatives for FY 2007.

The City of Jackson, MS is required to submit its municipal budget on an annual basis to the City Council for adoption on or before the fifteenth day of the last month in the fiscal year. A seven phase Performance Based Budget process, which closely links policy initiatives, services, and available resources, is utilized to develop the budget. As the primary financial planning and control document, the budget provides the foundation for City operations. The budget is crafted to include expenditures by fund: General, Special Revenue, Debt Service, Proprietary, Trust, and Capital; by department: Administration, General Government, Human & Cultural, Parks & Recreation, Police, Fire, Personnel, Public Works, and Planning; and by category: Personal Services, Supplies and Material, Other Services and Charges, and Capital Outlay. General Property Taxes, Licenses and Permits, Fines and Forfeitures, and Intergovernmental, Admissions, Fees, Rentals, Interest, Other Revenues, and Operating Transfers are the categories that comprise the revenue budget. During the fiscal year, department heads may transfer resources within a department by following established guidelines. These transfers, along with other budget adjustments, are incorporated into Budget Revisions that must be approved by the City Council. The Executive Branch is afforded the opportunity to submit a maximum of three Budget Revisions to the City Council for approval within the fiscal year.

ECONOMIC OUTLOOK

The City is the seat of government for the State of Mississippi and home to a diverse economy. In addition to governmental services, major industries located within the city limits or in close proximity include the Nissan auto plant and manufacturers of power, metal fabrication, airplane parts, and machine parts and engines. Jackson is also the site of the largest financial institutions

in the state. Numerous healthcare facilities, including the state's only medical school, pepper the city's landscape, providing employment to more than 14,000 professionals and staff.

As the population, educational, cultural, medical, and governmental center of the state, the Jackson metropolitan surround area has a relatively stable unemployment rate of 5.9 percent with an employed labor force of 79,380. This unemployment rate compares favorably to the state's overall unemployment rate of 6.4 percent. Over the previous years, the unemployment rate has ranged from a high of 7.4 percent to a low of 5.5 percent for 2007.

Jackson, MS, however, is highly dependent upon the public sector as an economic engine. While public sector employment is generally more stable than private sector employment, the spin-off businesses and entrepreneurial opportunities that are needed for sustained growth is not generated at the desired level. Thus, the economic development efforts must look toward business-government partnerships as a part of the solution. Towards that end, Jackson is poised to realize a number of developments of mixed use facilities in the immediate future.

The City has also begun to benefit from a variety of downtown revitalization efforts. These efforts include a recently renovated multi-modal transportation center, completion of a major portion of a parkway project to connect downtown to Jackson State University, and creation of an entertainment district in and around Farish Street, the oldest African American nationally designated historic district. Occupancy in the downtown area is at 93 percent and is expected to remain stable. The high percentage of college-educated residents who reside in Jackson is a positive trend that can further the City's efforts to becoming a dynamic urban center.

The Capital City Convention Center is scheduled for completion in January 2009.

The State of Mississippi's 7 percent sales tax remains constant, as does the monthly remittance of 18.5% of collections to the City. Jackson property owners pay property taxes for county, city, and school totaling \$172.14 per \$1000 of assessed value. The assessment rate is 10 percent for residential property, 15 percent for other real property and 30 percent for personal property. There is no local income tax in Jackson.

FINANCIAL OUTLOOK

The City's financial stability is evidenced by the general fund reserve, fund balance reserve policy, bond ratings and other fiscal determinants. An Unrestricted General Fund Reserve policy that is within range of the level cited by GFOA recommended practice has been adopted by the City Council. The City's fund balance reserve amounted to 7.0 percent of the adopted General Fund operating revenues for FY 07 with incremental increases scheduled such that by FY 08, the fund balance reserve will be 7.5 percent of the adopted General Fund operating revenues.

The General fund balance available for future appropriation is \$11,834,482 million, which includes \$7,651,462 million attributable to the City's General Fund reserve policy. An additional \$3,869,043 million is reserved for inventories and state tort claims.

Long range financial planning is essential to the continued fiscal constancy of this local government unit. In August 2003, a Multi-Year Strategic Financial & Management Plan was prepared for the City of Jackson, Mississippi for FY 03 through FY 07 by Public Financial Management and the Malachi Group. This document includes critical sections that detail potential fiscal gap projections and management initiative options to ameliorate the fiscal gap projects. The Plan serves as a critical tool to decision makers as allocations of constrained resources are made.

At September 2007, the City remained an excellent place for investors with ratings of A1 on both G.O. bonds and Revenue bonds by Moody's and A+ on G.O. bonds and A on Revenue bonds by Standard & Poor's. As a result of sound financial management practices of its Enterprise Fund, an upgrade was received by the City on its Water/Sewer Revenue Bonds from Standard and Poor's from "A-" to "A", and Moody's affirmed the "A1" rating on the G. O. bonds and revised the outlook to "stable" from "negative."

The estimated ratio of net bonded debt to estimated assessed valuations and the amount of bonded debt per capita in FY 2007 are useful gauges of the City's debt position.

POPULATION:	184,256
BONDED DEBT PER CAPITA:	\$ 627
REAL & PERSONAL PROPERTY ASSESSED VALUE:	\$ 920,291,498
NET BONDED DEBT (G.O):	\$ 115,500,000
RATIO OF DEBT TO ASSESSED VALUE:	12.60%

The following charts reflect activities within the Debt Service Fund and Enterprise Fund:

BONDS OUTSTANDING

Category	Amount Outstanding Sept. 30, 2007	Amount Outstanding Sept. 30, 2006
General Obligation	\$ 115,500	\$ 58,715
Special Obligation Bond – Pension	12,430	17,850
Tax Increment Limited Obligation	210	405
Bonded Debt	\$ 128,140	\$ 76,970
Revenue Bonds	167,670	173,700
Urban Renewal Bonds - Component Unit	28,750	32,765
Total	\$ 324,560	\$ 283,435

ENTERPRISE FUND – CHANGES IN NET ASSETS

Net Income (Loss)	2007	2006
Water/Sewage Disposal Fund	\$ 11,198	\$ 9,338
Madison Sewage Disposal Fund	(11)	(116)
Transportation Fund	340	882
Sanitation and Recycling Fund	935	1,587
Total Net Income	\$ 12,462	\$ 11,691

The City of Jackson participates in two retirement systems administered by the Public Employees’ Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi employer, cost-sharing pension plan and an agent multi employer pension plan. Substantially, the City of Jackson full-time employees participate in the multi employer cost-sharing pension plan. Benefit and contribution provisions are established by state law and may be amended only by the State of Mississippi Legislature. The employer and employees’ contributions represented 11.85% and 7.25% of covered payroll, respectively. The contribution by the employer was raised by statute to 11.85%, effective July 2007.

The City’s uniformed police officers and fire fighters employed prior to April 1, 1976 participate in the agent multi employer pension plan. The City’s contributions consist principally of allocations of ad valorem taxes derived from a 5.56 millage levy, increased annually not more than one-half mill, to meet the necessary funding level. Employees participating are required to contribute 10% of their annual salary. The financing objective is that contributions will be sufficient to make the plan actuarially sound by July 1, 2020. The ad valorem tax payments to the Public Employees’ Retirement System will resume in 2010.

The City exercises an aggressive cash management policy, which involves cash flow analysis, and projection of immediate cash needs. As allowed by state statutes, surplus funds are invested in certificates of deposit with municipal depositories and direct obligations of the U.S. Treasury and collateralized repurchase agreements. Also, all remaining cash is placed in interest-bearing checking accounts. Interest earned for FY 2007 for all funds totaled \$9,738,183.

The City also maintains an Unemployment Compensation Revolving Fund (Trust Fund) established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at not less than 2% of the first \$7,000 paid each employee during the preceding year. As of September 30, 2007, the required amounts were funded. Claims totaled \$104,746 during fiscal year 2007. Worker's Compensation benefits in the amount of \$1,517,540 were paid to employees during fiscal year 2007.

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employee medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$7,700,681 and employee benefit costs were \$11,296,717 during fiscal year 2007. The City's General fund appropriated \$3,419,727 to the Employees' Group Benefit Fund.

FINANCIAL POLICIES

There are several distinct policies that provide that framework for the financial operations of the City. One such policy is the commitment to conservatism by the Executive Branch in projecting its annual revenues. This policy provides a safeguard to drastic reductions in a given budget cycle in the event of under budgeted or unbudgeted costs. The City of Jackson, MS also has a policy to carefully allocate one time revenues such that operating expenses are not increased.

SELECT ACCOMPLISHMENTS

The Public Works Department has earned accreditation by the American Public Works Association, becoming the first agency in the State of Mississippi to be accredited. The City becomes the twenty-sixth public agency in the United States and Canada to achieve accreditation status.

The American Public Works Association accreditation program recognizes those public agencies that exceed the requirements of the management practices established nationally in the public works industry. On a daily basis, accredited agencies meet or exceed the standards of performance in areas such as solid waste management, street/sewer repair and maintenance, engineering, building maintenance and vehicle maintenance.

FUTURE INITIATIVES

In Compliance with state law that requires property reappraisal every five (5) years reappraisal of all taxable property will occur in fiscal year 2008.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jackson, Mississippi, for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This was the twenty-fifth consecutive year that the City of Jackson has received this prestigious award.

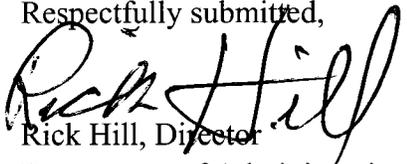
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

The staff of the Department of Administration, and specifically, the Finance Division, has my appreciation for their dedication and diligence in the preparation of this report. I further thank the Office of the Mayor, Office of the Chief Administrative Officer, and the City Council for their interest and support.

Respectfully submitted,


Rick Hill, Director
Department of Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Jackson
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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



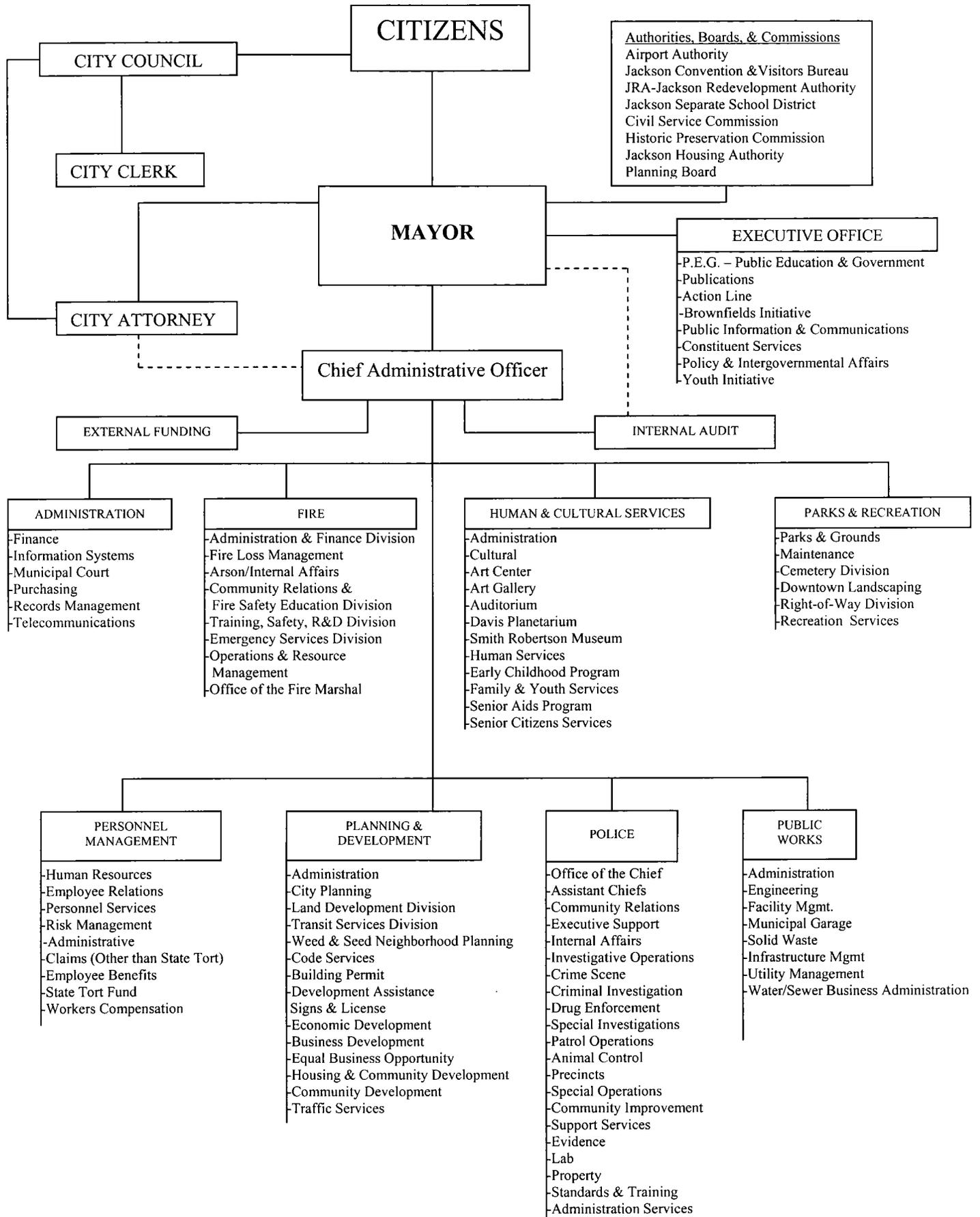
Oliver S. Cox

President

Jeffrey R. Emmer

Executive Director

CITY OF JACKSON ORGANIZATIONAL CHART



**CITY OF JACKSON
MAYOR, CITY COUNCIL AND CITY OFFICIALS
SEPTEMBER 30, 2007**

EXECUTIVE

Frank E. Melton
MAYOR

LEGISLATIVE

CITY COUNCIL

Jeff Weill, Sr.
Ward 1

Leslie McLemore
Ward 2
President of Council

Kenneth I. Stokes
Ward 3

Frank Bluntson
Ward 4

Charles Tillman
Ward 5
Vice-President of Council

Marshand K. Crisler
Ward 6

Margaret C. Barrett-Simon
Ward 7

EXECUTIVE BRANCH

Marcus Ward
Chief of Staff

Robert Walker
Chief Administrative Officer

Cedric Morgan
City Clerk

Chief of Police
Fire Chief
Director of Public Works
Director of Planning and Development
Director of Human and Cultural Services
Interim Director of Parks and Recreation
Director of Personnel Management
Director of Administration
Director of Action Line
Director of Internal Audit
City Attorney

Shirlene Anderson
Vernon Hughes
Thelman Boyd
Ester Ainsworth
Michael Raff
A. C. Jimerson
Wendy Crumpton
Rick Hill
Andy Boone
Norby Harris
Sarah O'Reilly-Evans

FINANCIAL SECTION

The Honorable Mayor Frank E. Melton
and Honorable Members of the City Council
City of Jackson, Mississippi

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jackson, Mississippi'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 component units of the City consisting of the Jackson Redevelopment Authority and the Capital City Convention Center Commission which statements reflect assets and revenues of 17% and 27%, respectively, of the business-type activities funds. Those financial 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 these component units, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2007, and the respective changes in financial position, budgetary comparison of the General Fund and, where applicable, cash flows 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 May 30, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 11 are not a required part of the basic financial statements but is 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 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Jackson, Mississippi. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Smith, Turner & Reeves P.A. Bruno & Tervalon LLP

Jackson, Mississippi
May 30, 2008

CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Jackson, we offer readers of the City of Jackson's financial statements this narrative overview and analysis of the financial activities of the City of Jackson for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

Financial Highlights

- The assets of the City of Jackson exceeded its liabilities at the close of the most recent fiscal year by \$472.1 million (*net assets*). Of this amount, there is \$50.2 million in unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$32.8 million.
- As of the close of the current fiscal year, the City of Jackson's governmental funds reported *combined* ending fund balances of \$82.7 million, an increase of \$48.6 million in comparison with the prior year. Approximately ninety-two (92) percent of this total amount is \$76.3 million. \$11.8 million is available for spending at the government's discretion (*unreserved fund balance*) and \$64.5 million is available for capital projects.
- At the end of the current fiscal year unreserved fund balance for the general fund was \$11.8 million, or 12.3 percent of total general fund expenditures.
- The City of Jackson's total debt increased by \$46.4 million (15 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Jackson's basic financial statements. The City of Jackson's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Jackson's finances, in a manner similar to a private-sector business.

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.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., 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 (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Jackson include general government, public safety, public works, human & cultural services, employee benefits, and interest on long term debt. The business-type activities of the City of Jackson include water/sewer, transportation and sanitation.

The government-wide financial statements include the City of Jackson itself (known as the *primary government*), and a legally separate redevelopment authority and Capital City Convention Center Commission for which the City of Jackson is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Jackson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Jackson can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Jackson maintains sixteen (16) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Improvement Fund, 1998 General Obligation Bond Fund, 2006 General Obligation Bond Fund, and 2003 General Obligation Bond Fund, all of which are considered to be major funds. Data from the other ten (10) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Jackson adopts an annual budget for all of its funds. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 14-23 of this report.

Proprietary funds. The City of Jackson maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Jackson uses enterprise funds to account for its Water/Sewage Disposal System Fund, Madison Sewage Disposal System Funds, Transportation Fund and Sanitation Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Jackson's various functions. The City of Jackson uses an Internal Service Fund to account for its Employee Group Health Benefit Fund. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water/Sewage Disposal System Fund, which is considered to be a major fund of the City of Jackson. The Internal Service Fund is presented in the Proprietary Fund financial statements as governmental activities.

The basic proprietary fund financial statements can be found on pages 24-28 of this report.

Fiduciary funds. Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The function of the City's principal trust fund is discussed in Note 5.A.2. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. The purpose of the City's Agency Funds is to collect and remit to the related organizations the proceeds of a special sales tax received from the State.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 31-72 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Jackson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 73 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and non-major proprietary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 74-95 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jackson, assets exceeded liabilities by \$472 million at the close of September 30, 2007.

By far the largest portion of the City of Jackson's net assets (68 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Jackson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Jackson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Jackson's Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 183,633	\$ 108,904	\$ 106,301	\$ 106,204	\$ 289,934	\$ 215,108
Capital assets	277,216	277,453	339,868	331,868	617,084	609,321
Total assets	<u>460,849</u>	<u>386,357</u>	<u>446,169</u>	<u>438,072</u>	<u>907,018</u>	<u>824,429</u>
Long-term liabilities outstanding	159,187	109,309	192,855	196,355	352,042	305,664
Other Liabilities	75,279	70,956	7,564	8,429	82,843	79,385
Total Liabilities	<u>234,466</u>	<u>180,265</u>	<u>200,419</u>	<u>204,784</u>	<u>434,885</u>	<u>385,049</u>
Net assets:						
Invested in capital assets, net of related debt	196,018	168,144	147,013	135,512	343,031	303,656
Restricted	5,730	4,169	3,765	3,661	9,495	7,830
Unrestricted	24,635	33,779	94,972	94,115	119,607	127,894
Total net assets	<u>\$ 226,383</u>	<u>\$ 206,092</u>	<u>\$ 245,750</u>	<u>\$ 233,288</u>	<u>\$ 472,133</u>	<u>\$ 439,380</u>

At the end of the current fiscal year, the City of Jackson is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The City of Jackson's total net assets increased by \$32.8 million during the current fiscal year.

Governmental activities. Governmental activities increased the City of Jackson's net assets by \$20.3 million.

**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

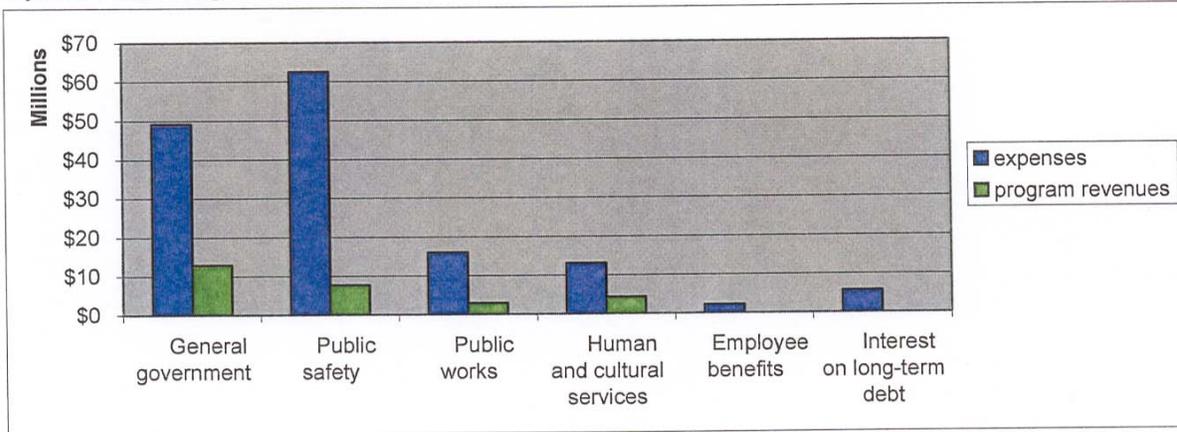
City of Jackson's Changes in Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 13,042	\$ 9,321	\$ 54,748	\$ 54,824	\$ 67,790	\$ 64,145
Operating grants and contributions	12,968	22,969	6,512	4,391	19,480	27,360
Capital grants and contributions	1,770	5,955	-	-	1,770	5,955
General revenues:						
Property taxes	65,037	61,945	-	-	65,037	61,945
Sales taxes	40,453	40,849	-	-	40,453	40,849
Franchise taxes	8,936	10,144	-	-	8,936	10,144
Other	5,469	2,190	4,520	4,670	9,989	6,860
Total revenues	147,675	153,373	65,780	63,885	213,455	217,258
Expenses:						
General government	49,147	29,179	-	-	49,147	29,179
Public safety	62,576	29,109	-	-	62,576	29,109
Public works	15,993	35,819	-	-	15,993	35,819
Human and cultural services	13,067	17,004	-	-	13,067	17,004
Employee benefits	2,180	1,836	-	-	2,180	1,836
Interest on long-term debt	5,647	4,731	-	-	5,647	4,731
Water/Sewer	-	-	39,904	41,184	39,904	41,184
Transportation	-	-	6,852	6,589	6,852	6,589
Sanitation	-	-	10,931	9,893	10,931	9,893
Total expenses	148,610	117,678	57,687	57,666	206,297	175,344
Increase in net assets before transfers	(935)	35,695	8,093	6,219	7,158	41,914
Transfers	(4,369)	(5,473)	4,369	5,473	-	-
Increase in net assets	(5,304)	30,222	12,462	11,692	7,158	41,914
Net assets - October 1, 2006	206,092	175,870	233,288	221,596	439,380	397,466
Prior period adjustment	25,595	-	-	-	25,595	-
Net assets - September 30, 2007	\$ 226,383	\$ 206,092	\$ 245,750	\$ 233,288	\$ 472,133	\$ 439,380

In FY 2007, the City issued \$65 million in General Obligation Bonds on behalf of the Capital Center Convention Center Commission to construct the Convention Center. A special sales tax levy was established to pay the debt service for the bonds. The bonds couldn't be issued as revenue bonds because of the uncertainty of the sales tax collections, therefore, the bonds were issued as GO Bonds of the City with full, faith and credit of the City. The asset (the Convention Center facility) is the property of the Capital City Convention Commission and recorded on the books of the Commission, but the liability (the bonds to construct the Convention Center) is on the books of the City. The issuance of the \$65 million in bonds impacted the governmental funds unrestricted net assets but for issuance of the bonds the governmental funds unrestricted net assets would have been a positive \$20.3 million.

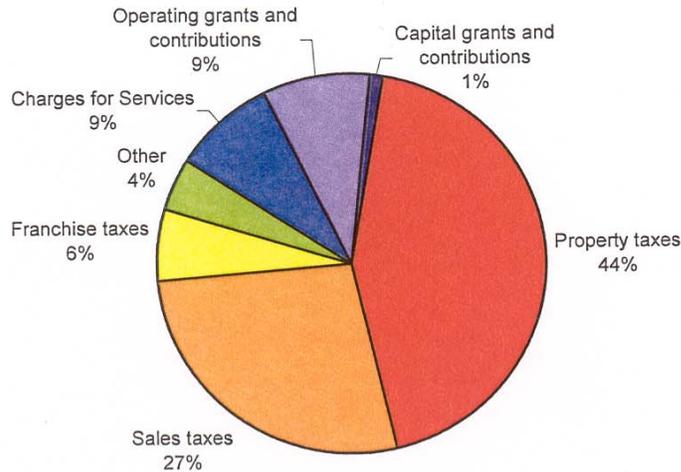
In prior years, the City had not presented the asset resulting from the 1997 contribution of bond proceeds to fund the actuarial accrued liability for the plan. In 2007, pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the City calculated its net pension obligation. In adopting GASB Statement No. 27, the City has increased net assets – beginning of year in the government wide financial statements of governmental activities by \$25,595 million to recognize the net pension asset calculated under GASB Statement No. 27. This is the primary reason for the increase in net assets from FY 2006 to FY 2007.

**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Expenses and Program Revenues – Governmental Activities



Revenues by source – Governmental Activities



Business-type activities. Business-type activities increased the City of Jackson's net assets by \$12.5 million. This increase is in the Water Sewer fund due to revenue sources such as interest on bond proceeds and federal and state grants received but not spent on Water Sewer activities as well as the general expenses of the Water Sewer operations being less than anticipated.

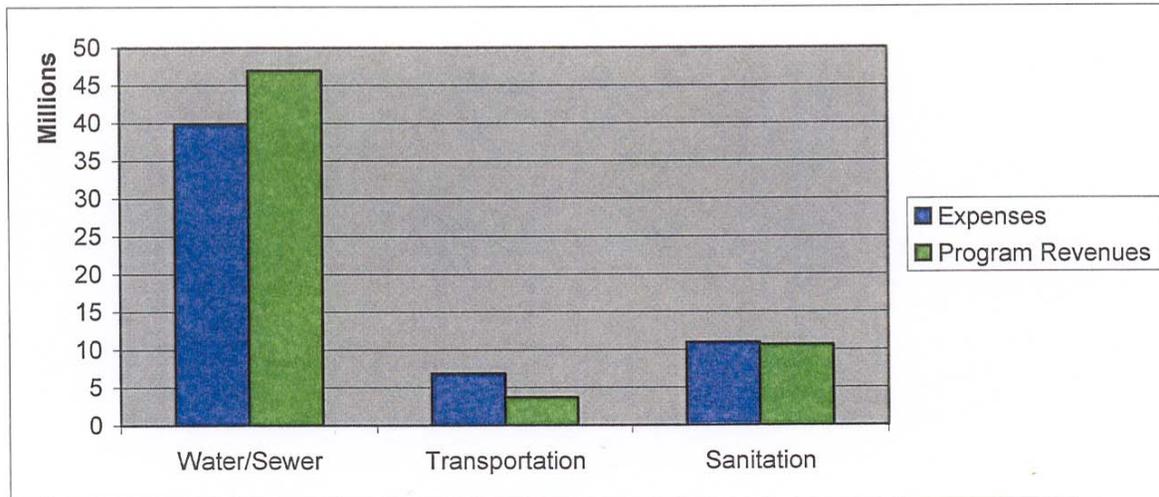
Financial Analysis of the Government's Funds

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

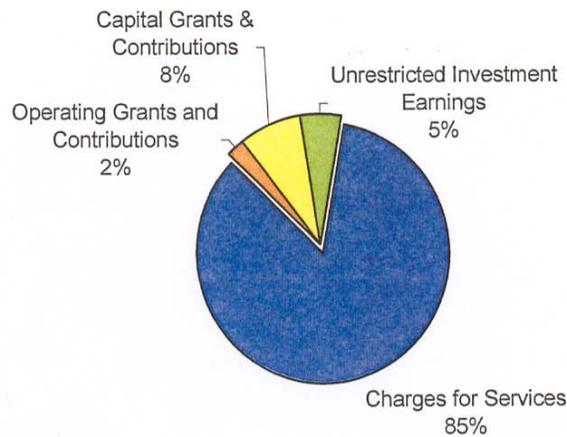
CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Expenses and Program Revenues—Business—Type Activities



Revenues by Source- Business – Type Activities



CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

As of the end of the current fiscal year, the City of Jackson's governmental funds reported combined ending fund balances of \$82.7 million, an increase of \$48.6 million in comparison with the prior year. Ninety-two (92) percent of this total amount is \$76.3 million of which \$11.8 million is available for spending at the government's discretion (*unreserved fund balance*) and \$64.5 million is available for capital projects. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to pay debt service (\$2.5 million), 2) State tort claims (\$2.7 million), or 3) for other restricted purposes (\$1.1 million).

The general 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 \$11.8 million, while total fund balance reached \$15.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.3 percent of total general fund expenditures, while total fund balance represents 16.3 percent of that same amount.

The fund balance of the City of Jackson's general fund increased by \$40,465 during the current fiscal year. The reduction in fund balances for the 1998 GO Bond (\$1,324,631) and the 2003 GO Bond (\$737,593) is the natural spend down of bond proceeds. In FY 2007, the City issued \$65 million in bonds for construction of the Capital City Convention Center. A fund balance of \$49.4 million remains in the Convention Center construction fund.

The debt service fund has a total fund balance of \$2.5 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$1 million. The largest portion of this increase was the establishment of a debt service reserve fund for the Convention Center debt.

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.

Unrestricted net assets of the Water/Sewage Disposal System Fund at the end of the year amounted to \$95 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$3.5 million and can be briefly summarized as follows:

- \$1.2 million increase for Hurricane Katrina expenses
- \$0.8 million increase in medical insurance claims
- \$1.5 million miscellaneous increases throughout all city departments

Significant budgetary variances between the final amended budget and actual results are as follows:

- Of the \$2.4 million budgeted for state tort fund activity in the general fund, only \$77,000 was expended, resulting in a budget balance of \$2.3 million. The total amount of the state tort fund is budgeted annually which accounts for the budget surplus.
- Actual personnel services for all city departments were \$3.0 million less than the final budget.
- Actual capital outlay for all city departments was \$2.3 million less than the final budget.
- Actual contractual services throughout all city departments was \$1.2 million less than the final budget.
- Actual miscellaneous charges throughout all city departments was \$1.2 million less than the final budget.

Capital Asset and Debt Administration

Capital assets. The City of Jackson's investment in capital assets for its governmental and business type activities as of September 30, 2007, amounts to \$617 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and

**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

equipment, park facilities, roads, and bridges. The total increase in the City of Jackson's investment in capital assets for the current fiscal year was 1% (a 0% change for governmental activities and a 2% increase in business activities).

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

- The increase in total net assets was the continued expenditure of prior bond issue proceeds for expansion and replacement of infrastructure.

City of Jackson's Capital Assets (net of depreciation) (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 14,441	\$ 14,698	\$ 1,838	\$ 1,838	\$ 16,279	\$ 16,536
Building & systems	49,706	50,140	1,154	1,777	50,860	51,917
Machinery and equipment	13,945	13,438	25,198	23,090	39,143	36,528
Infrastructure	157,935	162,312	209,364	215,283	367,299	377,595
Construction in progress	41,190	36,865	102,314	89,880	143,504	126,745
Total	<u>\$ 277,217</u>	<u>\$ 277,453</u>	<u>\$ 339,868</u>	<u>\$ 331,868</u>	<u>\$ 617,085</u>	<u>\$ 609,321</u>

Additional information on the City of Jackson's capital assets can be found in Note 4 on pages 48-49 of this report.

Long-term debt. At the end of the current fiscal year, the City of Jackson had total bonded debt outstanding of \$296 million. Of this amount, \$128 million comprises debt backed by the full faith and credit of the City. The remainder of the City of Jackson's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Jackson's Outstanding Debt General Obligation and Revenue Bonds and Other Loans (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 115,500	\$ 58,715	\$ -	\$ -	\$ 115,500	\$ 58,715
Revenue bonds	-	-	167,670	173,700	167,670	173,700
Tax increment bonds	210	405	-	-	210	405
Special obligation bonds	12,430	17,850	-	-	12,430	17,850
Loans and notes	16,530	18,705	21,273	19,504	37,803	38,209
Total	<u>\$ 144,670</u>	<u>\$ 95,675</u>	<u>\$ 188,943</u>	<u>\$ 193,204</u>	<u>\$ 333,613</u>	<u>\$ 288,879</u>

The City of Jackson's total debt increased by \$44.7 million during the current fiscal year.

The bond ratings services from Standard & Poor's and Moody's establish that bonds marketed by the City have favorable investment qualities. Presently, the city has the following ratings:

	Moody's	Standard & Poor's
Revenue	A1	A
General Obligation Bonds	A1	A+
Urban Renewal Revenue Bonds	A2	A

**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent and 20 percent of its total assessed valuation. The current debt limitation for the City of Jackson under the 15% rule is \$109 million which is in excess of the City of Jackson's outstanding general obligation debt.

Additional information on the City of Jackson's long-term debt can be found in Note 4 on pages 54-65 of this report.

Economic Factors and Next Year's Budgets and Rates

- Major revenues sources are expected to remain basically at existing levels.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Jackson's budget for the 2008 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased \$.2 million.

Requests for Information

This financial report is designed to provide a general overview of the City of Jackson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Administration, Office of the Director, P.O. Box 17, Jackson, MS, 39205-0017.

BASIC FINANCIAL STATEMENTS

City of Jackson
Statement of Net Assets
As of September 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Jackson Redevelopment Authority	Capital City Convention Center Commission
ASSETS					
Cash and cash equivalents	\$ 64,662,500	\$ 637,287	\$ 65,299,787	\$ 1,449,461	\$ 3,149,953
Investments	17,511,849	12,014,914	29,526,763	-	-
Accounts receivable, net	436,452	10,095,195	10,531,647	-	2,052,006
Other receivable	67,716,680	387,544	68,104,224	16,258,005	-
Intergovernmental receivable	5,353,164	2,827,709	8,180,873	-	-
Internal balances	4,070,367	(4,070,367)	-	-	-
Inventories	1,137,787	1,915,441	3,053,228	-	-
Prepaid Expenses	92,821	-	92,821	11,103	1,318
Net pension asset	22,154,000	-	22,154,000	-	-
Restricted assets:					
Cash and cash equivalents	-	43,905,807	43,905,807	2,162,116	501,764
Investments	-	36,114,386	36,114,386	-	-
Deferred charges	497,108	2,473,195	2,970,303	191,552	-
Capital assets:					
Land	14,440,776	1,837,999	16,278,775	8,849,677	4,684,747
Buildings	49,706,726	1,780,969	51,487,695	35,253,662	-
Automotive and equipment	13,944,216	24,239,336	38,183,552	-	-
Infrastructure	157,934,285	209,695,550	367,629,835	-	-
Construction in Progress	41,190,402	102,314,394	143,504,796	-	17,326,833
Total assets	460,849,133	446,169,359	907,018,492	64,175,576	27,716,621
LIABILITIES					
Liabilities:					
Accounts Payable	5,614,294	3,580,504	9,194,798	595,305	1,874,062
Accrued interest payable	660,648	219,022	879,670	239,050	-
Unearned revenue	61,727,506	-	61,727,506	-	-
Liabilities payable from restricted assets	-	3,764,545	3,764,545	93,749	-
Other liabilities	7,276,691	-	7,276,691	111,551	1,344
Noncurrent liabilities:					
Due within one year	22,087,139	8,461,656	30,548,795	4,255,000	-
Due in more than one year	137,099,512	184,393,291	321,492,803	29,178,330	400,130
Total liabilities	234,465,790	200,419,018	434,884,808	34,472,985	2,275,536
NET ASSETS					
Invested in capital assets, net of related debt	207,047,018	147,013,301	354,060,319	28,705,933	21,611,450
Restricted for:					
Debt service	1,860,612	3,764,545	5,625,157	-	-
Capital projects	9,866,671	-	9,866,671	-	-
Other purposes	2,908,002	-	2,908,002	1,223	501,764
Capital Center Convention Center	49,425,738	-	49,425,738	-	-
Unrestricted	(44,724,698)	94,972,495	50,247,797	995,435	3,327,871
Total net assets	\$ 226,383,343	\$ 245,750,341	\$ 472,133,684	\$ 29,702,591	\$ 25,441,085

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Activities
For the year ended September 30, 2007

Net (Expenses) Revenues and
Changes in Net Assets

	Program Revenues			Primary Government			Component Unit			
	Expenses	Charges for Services	Grants and Contributions	Operating	Capital	Governmental Activities	Business-type Activities	Total	Jackson Redevelopment Authority	Capital City Convention Center Commission
Primary government:										
Governmental activities:										
General government	\$ 49,146,833	\$ 7,421,781	\$ 5,453,834	\$ -	\$ -	\$ (36,271,218)	\$ -	\$ (36,271,218)	\$ -	\$ -
Public safety	62,575,875	2,806,228	4,820,410	-	-	(54,949,237)	-	(54,949,237)	-	-
Public works	15,993,603	1,147,395	-	1,770,552	-	(13,075,656)	-	(13,075,656)	-	-
Human and cultural services	13,066,676	1,666,553	2,693,542	-	-	(8,706,581)	-	(8,706,581)	-	-
Employee benefits	2,180,325	-	-	-	-	(2,180,325)	-	(2,180,325)	-	-
Interest on long-term debt	5,646,632	-	-	-	-	(5,646,632)	-	(5,646,632)	-	-
Total governmental activities	148,609,944	13,041,957	12,967,786	1,770,552	-	(120,829,649)	-	(120,829,649)	-	-
Business-type activities:										
Water/Sewer	39,903,814	43,846,849	333,296	2,787,800	-	-	7,064,131	7,064,131	-	-
Transportation	6,852,374	426,012	914,558	2,345,509	-	-	(3,166,295)	(3,166,295)	-	-
Sanitation	10,930,964	10,475,616	130,577	-	-	-	(324,771)	(324,771)	-	-
Total business-type activities	57,687,152	54,748,477	1,378,431	5,133,309	-	-	3,573,065	3,573,065	-	-
Total primary government	\$ 206,297,096	\$ 67,790,434	\$ 14,346,217	\$ 6,903,861	\$ -	\$ (120,829,649)	\$ 3,573,065	\$ (117,256,584)	\$ -	\$ -
Component units:										
Jackson Redevelopment Authority	\$ 11,015,226	\$ 3,113,944	\$ 1,528,011	\$ 1,047,515	\$ -	\$ -	\$ -	\$ -	\$ (5,325,756)	\$ -
Capital City Convention Center Commission	243,113	-	3,984,080	-	-	-	-	-	-	3,740,967
Total component units	\$ 11,258,339	\$ 3,113,944	\$ 5,512,091	\$ 1,047,515	\$ -	\$ -	\$ -	\$ -	\$ (5,325,756)	\$ 3,740,967
General revenues:										
Property taxes						65,037,568		65,037,568		
Sales taxes						40,452,695		40,452,695		
Franchise taxes						8,935,828		8,935,828		
Grants and contributions not restricted to specific programs						-		-	109,353	14,049,888
Unrestricted investment earnings						5,251,249	4,469,938	9,721,187		
Gain on sale of capital assets						197,618	50,241	247,859		
Miscellaneous						20,059	-	20,059		
Transfers						(4,369,085)	4,369,085	-		
Total general revenues, special items, and transfers						115,525,932	8,889,264	124,415,196	109,353	14,049,888
Change in net assets						(5,303,717)	12,462,329	7,158,612	(5,216,403)	17,790,855
Net assets - beginning of year as previously reported						206,092,060	233,288,012	439,380,072		
Adjustment to recognize pension asset-Note 5 E						25,595,000	-	25,595,000		
Net assets - beginning of year as restated						231,687,060	233,288,012	464,975,072	34,918,994	7,650,230
Net assets - ending						\$ 226,383,343	\$ 245,750,341	\$ 472,133,684	\$ 29,702,591	\$ 25,441,085

The notes to the financial statements are an integral part of this statement.

**City of Jackson
Balance Sheet
Governmental Funds
As of September 30, 2007**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Improvement Fund</u>	<u>1998 GO Bond</u>	<u>2003 GO Bond</u>	<u>2006 GO Bond</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Cash and Cash Equivalents	\$ 10,624,627	\$ 2,638,364	\$ 3,086,976	\$ 916,838	\$ 2,291,361	\$42,164,651	\$ 2,122,584	\$ 63,845,401
Investments	2,002,609	-	-	1,002,022	5,503,538	9,003,680	-	17,511,849
Other Receivable	48,352,609	10,065,984	353,466	-	64,699	109,413	7,990,175	66,936,346
Intergovernmental Receivable	1,185,005	-	1,651,030	16,878	-	-	2,500,251	5,353,164
Special assessment receivable	-	163,065	-	-	-	-	-	163,065
Due from other funds	4,281,205	-	-	-	-	-	-	4,281,205
Inventories	1,137,787	-	-	-	-	-	-	1,137,787
Prepaid expenses	5,098	-	-	-	-	-	-	5,098
Total assets	\$ 67,588,940	\$ 12,867,413	\$ 5,091,472	\$ 1,935,738	\$ 7,859,598	\$51,277,744	\$ 12,613,010	\$ 159,233,915
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ 416,867	\$ 119,229	\$ 612,879	\$ 35,719	\$ 86	\$ 1,852,006	\$ 1,925,058	\$ 4,961,844
Due to other funds	-	-	-	-	-	-	210,838	210,838
Deferred Revenue	44,903,654	10,226,924	28,824	-	-	-	8,945,864	64,105,266
Other liabilities	6,564,894	-	621,670	-	-	-	90,127	7,276,691
Total liabilities	51,885,415	10,346,153	1,263,373	35,719	86	1,852,006	11,171,887	76,554,639
Fund Balances								
Reserved for:								
Inventories	1,137,787	-	-	-	-	-	-	1,137,787
State tort claims	2,731,256	-	-	-	-	-	-	2,731,256
Debt service	-	2,521,260	-	-	-	-	-	2,521,260
Unreserved, reported in								
General fund	11,834,482	-	-	-	-	-	-	11,834,482
Special revenue funds	-	-	3,828,099	-	-	-	1,333,983	5,162,082
Capital projects funds	-	-	-	1,900,019	7,859,512	49,425,738	107,140	59,292,409
Total fund balances	15,703,525	2,521,260	3,828,099	1,900,019	7,859,512	49,425,738	1,441,123	82,679,276
Total liabilities and fund balances	\$ 67,588,940	\$ 12,867,413	\$ 5,091,472	\$ 1,935,738	\$ 7,859,598	\$51,277,744	\$ 12,613,010	\$ 159,233,915

The notes to the financial statements are an integral part of this statement.

City of Jackson
Reconciliation of Balance Sheet - Governmental Funds
To the Statement of Net Assets
September 30, 2007

Amount reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$ 82,679,276
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	277,216,405
Net pension assets recorded in governmental activities are not a financial resource and therefore are not reported in the governmental funds	22,154,000
Internal service fund is used to account for the group benefit plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	688,820
Receivable recognized on the full accrual basis for the government-wide statements but not on the fund statements	780,334
Revenues that were earned but unavailable to the city and recorded as unearned in the fund statements	2,214,695
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(134,145,099)
Deferred charges	497,108
Accrued interest on long-term debt	(660,644)
Capital leases	(14,012,979)
Annual and sick leave	(3,610,525)
Claims payable	(2,962,156)
Workers' Compensation Benefits	<u>(4,455,892)</u>
Net assets of governmental activities	<u>\$ 226,383,343</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2007

	General Fund	Debt Service	Improvement Fund	1998 GO Bond	2003 GO Bond	2006 GO Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES								
General property taxes	\$44,240,369	\$10,232,761	\$ 1,013,444	\$ -	\$ -	\$ -	\$ 8,119,866	\$ 63,606,440
Licenses and permits	3,166,913	-	-	-	-	-	-	3,166,913
Intergovernmental	43,040,414	3,021,653	604,878	14,628	116,358	-	9,985,480	56,783,411
Fines and forfeitures	3,106,281	-	-	-	-	-	-	3,106,281
Special assessments	-	13,612	-	-	-	-	-	13,612
Admissions, fees, rentals and concessions	2,670,518	-	2,613	-	-	-	358,602	3,031,733
Interest	998,731	215,026	125,733	118,356	413,849	3,249,144	130,770	5,251,609
Other	12,324,465	789,774	-	-	-	-	259,516	13,373,755
Total revenues	109,547,691	14,272,826	1,746,668	132,984	530,207	3,249,144	18,854,234	148,333,754
EXPENDITURES								
Current:								
General government	20,509,577	-	-	-	-	18,858,851	5,029,719	44,398,147
Public safety	58,351,610	-	-	3,190	-	-	571,244	58,926,044
Public works	10,831,163	-	3,249,093	1,454,425	1,267,800	-	440,707	17,243,188
Human and Cultural services	4,115,028	-	-	-	-	-	9,062,252	13,177,280
Employee benefits	2,030,836	-	-	-	-	-	149,489	2,180,325
Miscellaneous	704,662	-	-	-	-	-	-	704,662
Debt Service:								
Principal	-	8,410,000	-	-	-	-	5,420,000	13,830,000
Interest and service charges	-	5,141,057	-	-	-	-	1,173,394	6,314,451
Bond issuance costs	-	-	-	-	-	1,072,527	-	1,072,527
Capital outlay:								
General government	-	-	-	-	-	-	41,554	41,554
Public works	-	-	-	-	-	-	50,812	50,812
Public safety	-	-	-	-	-	-	1,128,013	1,128,013
Human and Cultural services	-	-	-	-	-	-	269,539	269,539
Total expenditures	96,542,876	13,551,057	3,249,093	1,457,615	1,267,800	19,931,378	23,336,723	159,336,542
Excess (deficiency) of revenues over (under) expenditures	13,004,815	721,769	(1,502,425)	(1,324,631)	(737,593)	(16,682,234)	(4,482,489)	(11,002,788)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	270,842	1,350,000	-	-	-	4,944,316	6,565,158
Transfers out	(14,083,128)	-	(258,167)	-	-	(8,996)	(3,680)	(14,353,971)
Proceeds from capital leases	1,118,778	-	-	-	-	-	-	1,118,778
Proceeds of long-term debt	-	-	185,797	-	-	-	-	185,797
Proceeds from GO Bonds	-	-	-	-	-	65,000,000	-	65,000,000
Premium on GO bond issuance	-	-	-	-	-	1,116,968	-	1,116,968
Total other financing sources (uses)	(12,964,350)	270,842	1,277,630	-	-	66,107,972	4,940,636	59,632,730
Net change in fund balances	40,465	992,611	(224,795)	(1,324,631)	(737,593)	49,425,738	458,147	48,629,942
Fund balances at beginning of year	15,663,060	1,528,649	4,052,894	3,224,650	8,597,105	-	982,976	34,049,334
Fund balances at end of year	<u>\$15,703,525</u>	<u>\$ 2,521,260</u>	<u>\$ 3,828,099</u>	<u>\$ 1,900,019</u>	<u>\$ 7,859,512</u>	<u>\$49,425,738</u>	<u>\$ 1,441,123</u>	<u>\$ 82,679,276</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2007

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

Net change in fund balances – total governmental funds	\$ 48,629,942
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	(237,008)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to Governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	14,195,639
Activities from debt related transactions	
New capital lease proceeds reported in the fund statements	(1,118,778)
Retirement of prior leases	3,114,421
Note payable proceeds recorded in fund statements	(185,797)
Bond proceeds recorded in the fund statements	(65,000,000)
Premium on debt issuance	(1,116,968)
Bond issuance costs	558,277
Deferred bond issuance cost	514,250
Decrease in net pension asset reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds	(3,441,000)
Expenses reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds	(381,943)
Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements	(658,443)
Internal service fund net activity not reported on the governmental fund statement	<u>(176,309)</u>
Change in the net assets of governmental activities	<u><u>\$ (5,303,717)</u></u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2007

	<u>Budget Amount</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				-
General property taxes				
Current realty taxes	\$ 23,671,605	\$ 23,687,983	\$ 23,687,983	\$ -
Current personal taxes	12,280,265	12,642,773	12,643,643	870
Ad valorem taxes on automobiles	6,414,702	6,766,588	6,729,767	(36,821)
Delinquent taxes	120,000	55,137	458,394	403,257
Interest on current taxes	300,000	542,272	542,371	99
Interest on delinquent taxes	240,000	203,157	84,524	(118,633)
Community improvement	127,000	34,076	93,687	59,611
Total general property taxes	<u>43,153,572</u>	<u>43,931,986</u>	<u>44,240,369</u>	<u>308,383</u>
Licenses and permits				
Privilege licenses	350,250	353,365	361,626	8,261
Building permits	550,000	550,000	1,151,584	601,584
Air conditioning and duct permits	30,000	30,000	73,412	43,412
Plumbing permits	50,000	50,000	99,839	49,839
Electric permits	140,000	140,000	217,776	77,776
Gas Permits	70,000	70,000	83,070	13,070
Historic preservation application	1,000	2,073	2,148	75
Housing rehab permits	15,000	9,345	9,615	270
Landscape permits	2,000	7,995	7,995	-
Dance hall and other recreational fees	7,500	4,950	4,950	-
Landfill charges	1,000,000	995,039	995,039	-
Taxicab license fees	2,500	1,026	1,609	583
Sign permits	33,000	55,083	55,452	369
Zoning permits	45,000	36,660	36,835	175
Combustible and flammable liquid permits	16,500	16,550	10,795	(5,755)
Fireworks Display Permit	500	100	100	-
Aircraft registration	4,000	5,852	5,852	-
Transit Merchants-Peddlers License	6,000	4,825	4,825	-
Boarding, Lodging-Licenses	1,000	1,285	1,285	-
Adult entertainment-and License	31,000	9,307	30,458	21,151
Special event fee	6,000	23,094	3,818	(19,276)
Fire inspection permit	-	-	5,980	5,980
Annual vehicle inspector	2,000	300	2,850	2,550
Total licenses and permits	<u>2,363,250</u>	<u>2,366,849</u>	<u>3,166,913</u>	<u>800,064</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2007

	<u>Budget Amount</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (Continued):				
Intergovernmental Revenues:				
State Grants and Shared Revenues:				
Alcohol permits	\$ 300,000	\$ 304,175	\$ 304,175	\$ -
Gasoline Tax	31,147	31,147	31,146	(1)
Municipal revolving fund	96,040	96,040	96,040	-
State reimb training academy	100,000	-	-	-
State fire protection	937,017	937,017	871,941	(65,076)
Sales tax	38,343,470	35,743,470	35,838,035	94,565
Bus & truck privilege tax	500,000	510,472	545,568	35,096
Wireless radio communication program	200,000	200,000	18,063	(181,937)
Jackson Convention & Visitors	15,000	10,883	10,883	-
MS-Domestic Violence Grant	56,419	47,319	47,319	-
Homestead exemption	1,266,000	1,281,469	1,281,469	-
Total state grants shared revenues	<u>41,845,093</u>	<u>39,161,992</u>	<u>39,044,639</u>	<u>(117,353)</u>
Federal and State Grants and Shared Revenues:				
HITDA Grant	16,550	81,303	81,303	-
COPS- Universal Hire	712,500	712,500	1,816,982	1,104,482
Dept of Justice-Weed & Seed	115,000	150,462	174,987	24,525
MDOT Summer Youth reimbursement	30,000	50,000	-	(50,000)
FEMA/MEMA Disaster	-	857,815	857,815	-
Other shared revenue	50,000	59,548	71,074	11,526
Total federal and state shared revenues	<u>924,050</u>	<u>1,911,628</u>	<u>3,002,161</u>	<u>1,090,533</u>
County Revenues:				
Pro rata road tax	920,000	933,019	933,074	55
Smith Robertson Museum	-	9,450	9,616	166
Hinds County	65,000	25,900	50,924	25,024
Total county revenue	<u>985,000</u>	<u>968,369</u>	<u>993,614</u>	<u>25,245</u>
Total intergovernmental revenues	<u>43,754,143</u>	<u>42,041,989</u>	<u>43,040,414</u>	<u>998,425</u>
Fines and Forfeitures:				
Court & misdemeanor fines	1,000,000	793,996	815,668	21,672
Vehicle parking fines	200,000	174,399	183,253	8,854
Moving traffic violations	1,400,000	1,106,710	1,142,378	35,668
City court costs	30,000	20,749	25,405	4,656
Bad check fee and Warrant fee	229,000	168,446	174,774	6,328
Animal control citations	2,000	790	880	90
Municipal court computer	20,000	15,277	17,873	2,596
Municipal court drivers impr fee	30,000	23,955	24,135	180
Expungement fee	6,000	5,850	6,200	350
Jackson collection fee	100,000	87,241	200,281	113,040
Miscellaneous Court Docket fee	110,000	90,510	95,789	5,279
Dropped charge fee	5,000	6,450	6,800	350
Cash bond - clearing account	30,000	26,391	24,779	(1,612)
Rearraignment fee	15,000	11,700	12,309	609
Daily storage fee-vehicle	42,500	36,480	36,885	405
Administrative fee - del cases	140,000	221,833	225,976	4,143
Parking - Boot fee	1,000	915	931	16
Drug court	500	-	-	-
Wrecker fees	150,000	109,625	111,965	2,340
Total fines and forfeitures	<u>3,511,000</u>	<u>2,901,317</u>	<u>3,106,281</u>	<u>204,964</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2007

	<u>Budget Amount</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (Continued):				
Admissions, Fees, Rentals and Concessions:				
Parking meters	\$ 175,000	\$ 129,844	\$ 152,356	\$ 22,512
Municipal Auditorium:				
Rentals	123,600	106,509	107,307	798
Concessions	3,000	800	-	(800)
Local record fee	6,000	5,736	5,937	201
Pistol Range rent	500	454	454	-
Outdoor adversting	15,000	12,989	14,169	1,180
Fire Water flow test fee	5,750	6,485	2,050	(4,435)
Fire Reports	2,500	8,620	8,970	350
Accident report fee	165,000	130,905	134,395	3,490
Background check fee	24,000	12,050	12,575	525
Bail bondsman applicant photo	-	-	116	116
Bail bondsman mug shot fee	750	187	180	(7)
Bail bondsman ID card	300	120	216	96
Fingerprinting	20,000	21,340	22,330	990
Verification of records	40,000	29,573	30,367	794
Brady Bill background check fee	400	45	4,925	4,880
Rents & Royalties	25,000	14,790	15,490	700
Telecommunication Franchise Agreement	200,000	200,000	124,344	(75,656)
Tower Rentals	1,700,000	1,700,000	1,918,032	218,032
Arts Center:				
Donations	1,000	290	290	-
Admissions, rents and royalties	100	250	250	-
Community room rent	16,000	14,973	14,972	(1)
Concessions	500	507	506	(1)
Planetarium:				
Admissions,Discovery Shop, etc.	170,100	87,272	88,046	774
Senior Centers Reservation Fee	12,000	3,024	3,124	100
Smith Robertson Museum:				
Gift shop	3,500	2,119	2,124	5
Donations	100	580	680	100
Admissions, rental	7,500	6,123	6,313	190
Total admissions and rentals	<u>2,717,600</u>	<u>2,495,585</u>	<u>2,670,518</u>	<u>174,933</u>
Interest:				
Earned on investments	501,250	721,592	998,396	276,804
Earned on accounts	350	350	335	(15)
Total interest earned	<u>501,600</u>	<u>721,942</u>	<u>998,731</u>	<u>276,789</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2007

	<u>Budget Amount</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (Continued):				
Other Revenues:				
Public utility	\$ 5,833,000	\$ 5,027,145	\$ 5,027,145	\$ -
Franchise cable television	1,381,163	1,563,517	1,442,202	(121,315)
Water Sewer Franchise Fee	922,645	922,645	830,597	(92,048)
Nuclear power plant	1,628,723	1,635,884	1,635,884	-
In-lieu-of property tax	35,000	-	-	-
Sale of cemetery lots	12,500	18,800	18,800	-
Sale of fixed assets	301,500	195,589	194,416	(1,173)
Small animal control	5,000	3,730	3,640	(90)
Police-sale of weapons	3,000	5,082	5,082	-
Parking fee-City employees	9,000	7,403	7,407	4
Police	10,000	10,157	10,157	-
Indirect cost	2,357,913	2,357,913	2,019,475	(338,438)
Street index books	50	92	92	-
Sale of land	475,000	257,433	257,433	-
Sale of scrap metal	-	-	699	699
Permit department	86,000	86,000	115,205	29,205
Rabies vaccination	1,500	1,000	1,000	-
Plumbing exam	100	825	825	-
Electrical exam	2,000	336	336	-
Penalty on demo/grass/weeds	7,000	3,525	3,775	250
Cemeteries-openings/closings	25,000	21,600	21,600	-
Site plan review planning	15,000	13,325	13,927	602
Construction plan review	2,500	2,254	3,294	1,040
Cafeteria plan-flexible spending	200,000	200,000	116,534	(83,466)
Administrative fee-payroll deductions	-	-	4,274	4,274
Sale of maps, plans, and specifications	3,500	3,271	3,477	206
Traffic	2,000	3,631	3,631	-
Legal/City Clerk/Finance and Management	18,000	23,749	21,696	(2,053)
Telecommunications	200	198	194,720	194,522
Fire Museum donations	1,000	1,925	1,925	-
Sale of CAFR, Budgets & Directories	50	5	5	-
I.D. Badge fee-city employee	-	-	505	505
Abstract fees	-	-	4,245	4,245
Settlement of insurance claim	10,000	66,147	76,732	10,585
Proceeds from assets and forfeitures	817,226	28,697	34,001	5,304
Other	1,495,927	854,549	249,729	(604,820)
	<u>15,661,497</u>	<u>13,316,427</u>	<u>12,324,465</u>	<u>(991,962)</u>
Total other revenues				
Total revenues	<u>111,662,662</u>	<u>107,776,095</u>	<u>109,547,691</u>	<u>1,771,596</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2007

	<u>Budget Amount</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current Operations:				
General Government				
Administration and Intra-governmental				
Personnel services	\$ 9,827,115	\$ 8,507,173	\$ 8,272,643	\$ 234,530
Supplies	771,689	478,445	329,308	149,137
Other services and charges	4,780,519	5,619,745	4,524,636	1,095,109
Capital outlay	1,371,261	1,335,466	681,095	654,371
Total Department of Administration	<u>16,750,584</u>	<u>15,940,829</u>	<u>13,807,682</u>	<u>2,133,147</u>
Personnel				
Personnel services	1,100,101	1,049,222	1,027,631	21,591
Supplies	14,435	15,135	11,385	3,750
Other services and charges	1,248,180	436,916	412,093	24,823
Capital Outlay	-	1,700	1,587	113
Total Department of Personnel	<u>2,362,716</u>	<u>1,502,973</u>	<u>1,452,696</u>	<u>50,277</u>
Planning				
Personnel services	1,581,586	1,417,551	1,268,907	148,644
Supplies	54,397	69,672	46,494	23,178
Other services and charges	4,445,081	4,259,437	3,927,963	331,474
Capital Outlay	1,000	5,835	5,835	-
Total Department of Planning	<u>6,082,064</u>	<u>5,752,495</u>	<u>5,249,199</u>	<u>503,296</u>
Total General Government	<u>25,195,364</u>	<u>23,196,297</u>	<u>20,509,577</u>	<u>2,686,720</u>
Department of Human and Cultural Services				
Health and Welfare				
Personnel supplies	876,650	931,940	820,395	111,545
Supplies	25,990	18,615	21,178	(2,563)
Other services and charges	912,819	4,947	708,564	(703,617)
Capital outlay	263,960	278,085	277,699	386
Total Health and Welfare	<u>2,079,419</u>	<u>1,233,587</u>	<u>1,827,836</u>	<u>(594,249)</u>
Culture and Recreation				
Personnel services	726,686	678,546	651,667	26,879
Supplies	66,359	88,394	57,433	30,961
Other services and charges	1,344,246	2,353,125	1,527,655	825,470
Capital outlay	61,693	71,727	65,542	6,185
Total Culture and Recreation	<u>2,198,984</u>	<u>3,191,792</u>	<u>2,302,297</u>	<u>889,495</u>
Total Department of Human and Cultural Services	<u>4,278,403</u>	<u>4,425,379</u>	<u>4,130,133</u>	<u>295,246</u>
Department of Public Safety				
Personnel services	46,295,530	48,779,288	46,558,767	2,220,521
Supplies	2,696,720	2,856,621	2,545,968	310,653
Other services and charges	4,324,818	4,059,492	3,812,301	247,191
Capital outlay	6,792,963	7,611,253	5,434,574	2,176,679
Total Department of Public Safety	<u>60,110,031</u>	<u>63,306,654</u>	<u>58,351,610</u>	<u>4,955,044</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2007

	<u>Budget Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued):				
Department of Public Works				
Personnel services	\$ 8,165,493	\$ 7,781,191	\$ 7,502,866	\$ 278,325
Supplies	1,172,612	1,334,922	1,186,236	148,686
Other services and charges	2,378,255	2,262,395	2,073,388	189,007
Capital outlay	84,122	83,196	68,673	14,523
Total Department of Public Works	<u>11,800,482</u>	<u>11,461,704</u>	<u>10,831,163</u>	<u>630,541</u>
Current Operations				
Miscellaneous				
Supplies	1,201,202	14,190	-	14,190
Other services and charges	50,000	838,547	704,662	133,885
Total Miscellaneous	<u>1,251,202</u>	<u>852,737</u>	<u>704,662</u>	<u>148,075</u>
Employee Benefits				
Supplies	60,000	68,000	66,526	1,474
Other services and charges	2,131,000	1,774,459	1,949,205	(174,746)
Total Employee Benefits	<u>2,191,000</u>	<u>1,842,459</u>	<u>2,015,731</u>	<u>(173,272)</u>
Total expenditures	<u>104,826,482</u>	<u>105,085,230</u>	<u>96,542,876</u>	<u>8,542,354</u>
Excess(deficiency) of revenues over expenditures	6,836,180	2,690,865	13,004,815	(10,313,950)
Other Financing Sources(Uses)				
Transfers in	-	1,346,199	-	1,346,199
Tranfers out	(12,130,234)	(14,280,121)	(14,083,128)	(196,993)
Proceeds from long term debt	3,840,762	3,484,540	1,118,778	2,365,762
Total other financing sources(uses)	<u>(8,289,472)</u>	<u>(9,449,382)</u>	<u>(12,964,350)</u>	<u>3,514,968</u>
Net change in fund balance	(1,453,292)	(6,758,517)	40,465	(6,798,982)
Fund balances at beginning of year	15,663,060	15,663,060	15,663,060	-
Fund balances at end of year	<u>\$ 14,209,768</u>	<u>\$ 8,904,543</u>	<u>\$ 15,703,525</u>	<u>\$ (6,798,982)</u>

The notes to the financial statements are an ingral part of this statement.

City of Jackson
Statement of Net Assets
Proprietary Funds
As of September 30, 2007

	<u>Water/Sewage Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 270,728	\$ 366,559	\$ -	\$ 637,287	\$ 817,099
Accounts Receivable, less allowances	7,842,316	2,252,879	-	10,095,195	436,452
Investments	12,014,914	-	-	12,014,914	-
Intergovernmental receivable	-	-	2,345,509	2,345,509	-
Other receivables	387,394	150	-	387,544	-
Prepaid expenses	-	-	-	-	87,723
Due from other funds	569,334	-	-	569,334	-
Restricted Assets					
Cash and cash equivalents	21,700,951	-	-	21,700,951	-
Investments	6,010,122	-	-	6,010,122	-
Inventories	1,915,441	-	-	1,915,441	-
Total Current Assets	<u>50,711,200</u>	<u>2,619,588</u>	<u>2,345,509</u>	<u>55,676,297</u>	<u>1,341,274</u>
Noncurrent Assets:					
Restricted Assets					
Cash and cash equivalents	22,204,856	-	-	22,204,856	-
Investments	30,104,264	-	-	30,104,264	-
Intergovernmental receivable	482,200	-	-	482,200	-
Deferred charges - bond costs, net of amortization	<u>2,473,195</u>	<u>-</u>	<u>-</u>	<u>2,473,195</u>	<u>-</u>
Total Noncurrent Assets	<u>55,264,515</u>	<u>-</u>	<u>-</u>	<u>55,264,515</u>	<u>-</u>
Capital Assets:					
Property, plant and equipment, at cost					
Land	1,387,999	-	450,000	1,837,999	-
Buildings	43,209	55,909	1,681,851	1,780,969	-
Water plant, distribution system and equipment	380,996,164	-	864,534	381,860,698	-
Automotive and other equipment	<u>8,973,410</u>	<u>2,186,624</u>	<u>13,079,302</u>	<u>24,239,336</u>	<u>-</u>
	391,400,782	2,242,533	16,075,687	409,719,002	-
Less: accumulated depreciation	<u>(160,868,517)</u>	<u>(1,173,309)</u>	<u>(10,123,322)</u>	<u>(172,165,148)</u>	<u>-</u>
	230,532,265	1,069,224	5,952,365	237,553,854	-
Construction in Progress	<u>102,300,594</u>	<u>-</u>	<u>13,800</u>	<u>102,314,394</u>	<u>-</u>
Net property, plant and equipment	<u>332,832,859</u>	<u>1,069,224</u>	<u>5,966,165</u>	<u>339,868,248</u>	<u>-</u>
Total Assets	<u>\$ 438,808,574</u>	<u>\$ 3,688,812</u>	<u>\$ 8,311,674</u>	<u>\$ 450,809,060</u>	<u>\$ 1,341,274</u>

The notes to the financial statements are an integral part of this statement.

**City of Jackson
Statement of Net Assets
Proprietary Funds
As of September 30, 2007**

	<u>Water/Sewage Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
Liabilities and Fund Equity					
Current Liabilities Payable from Unrestricted Assets:					
Accounts/claims payable	\$ 3,043,189	\$ 398,577	\$ 138,738	\$ 3,580,504	\$ 652,454
Due to other funds	-	569,334	4,070,367	4,639,701	-
Customer deposits	3,764,545	-	-	3,764,545	-
Current portion of Long-Term Debt:					
Lease obligations	533,226	92,380	176,792	802,398	-
State Department of Environmental Quality	1,334,258	-	-	1,334,258	-
Total Current Liabilities Payable from Unrestricted Assets	<u>8,675,218</u>	<u>1,060,291</u>	<u>4,385,897</u>	<u>14,121,406</u>	<u>652,454</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds	6,325,000	-	-	6,325,000	-
Accrued interest payable	219,022	-	-	219,022	-
Total Current Liabilites Payable from Restricted Assets	<u>6,544,022</u>	<u>-</u>	<u>-</u>	<u>6,544,022</u>	<u>-</u>
Total Current Liabilities	<u>15,219,240</u>	<u>1,060,291</u>	<u>4,385,897</u>	<u>20,665,428</u>	<u>652,454</u>
Long-Term Debt					
(less amounts classified as current liabilities):					
Revenue bonds (net of unamortized discount/premium)	165,256,824	-	-	165,256,824	-
Lease obligation	1,046,529	-	418,976	1,465,505	-
State Department of Environmental Quality	17,670,962	-	-	17,670,962	-
Total Long-Term Debt	<u>183,974,315</u>	<u>-</u>	<u>418,976</u>	<u>184,393,291</u>	<u>-</u>
Total Liabilities	<u>199,193,555</u>	<u>1,060,291</u>	<u>4,804,873</u>	<u>205,058,719</u>	<u>652,454</u>
Net Assets					
Invested in capital assets, net of related debt	140,666,060	976,844	5,370,397	147,013,301	-
Restricted for debt service	3,764,545	-	-	3,764,545	-
Unrestricted	95,184,414	1,651,677	(1,863,596)	94,972,495	688,820
Total Net Assets	<u>239,615,019</u>	<u>2,628,521</u>	<u>3,506,801</u>	<u>245,750,341</u>	<u>688,820</u>
Total liabilities and net assets	<u>\$ 438,808,574</u>	<u>\$ 3,688,812</u>	<u>\$ 8,311,674</u>	<u>\$ 450,809,060</u>	<u>\$ 1,341,274</u>

The notes in the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2007

	<u>Water/Sewage Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues:					
Sales to customers	\$ 43,846,849	\$ 10,475,616	\$ 426,012	\$ 54,748,477	\$ -
Contributions	-	-	-	-	4,767,952
Contributions - City Match	-	-	-	-	2,801,763
Other revenues	333,296	130,577	914,558	1,378,431	125,792
Total Operating Revenues	<u>44,180,145</u>	<u>10,606,193</u>	<u>1,340,570</u>	<u>56,126,908</u>	<u>7,695,507</u>
Operating Expenses:					
Personnel services	9,294,733	845,867	171,078	10,311,678	-
Supplies	3,752,662	288,467	490,368	4,531,497	-
Other services and charges	9,783,435	9,613,564	5,424,142	24,821,141	11,296,717
Depreciation	8,325,089	183,066	869,396	9,377,551	-
Total operating expenses	<u>31,155,919</u>	<u>10,930,964</u>	<u>6,954,984</u>	<u>49,041,867</u>	<u>11,296,717</u>
Operating income (loss)	<u>13,024,226</u>	<u>(324,771)</u>	<u>(5,614,414)</u>	<u>7,085,041</u>	<u>(3,601,210)</u>
Nonoperating revenues (expenses):					
Interest revenue	4,390,991	41,539	37,408	4,469,938	5,174
Interest and service charges on long-term debt and capitalized lease obligations	(8,430,936)	-	-	(8,430,936)	-
Gain (loss) on sale of fixed assets	31,750	18,491	-	50,241	-
Amortization of bond issuance cost	(214,349)	-	-	(214,349)	-
Total nonoperating revenues (expenses)	<u>(4,222,544)</u>	<u>60,030</u>	<u>37,408</u>	<u>(4,125,106)</u>	<u>5,174</u>
Income (loss) before contributions and transfers	8,801,682	(264,741)	(5,577,006)	2,959,935	(3,596,036)
Capital contributions from grants	2,787,800	-	2,345,509	5,133,309	-
Transfers In:					
General Fund	-	1,200,000	3,469,085	4,669,085	3,419,727
Enterprise Fund	-	-	91,491	91,491	-
Transfers Out:					
Enterprise Fund	(91,491)	-	-	(91,491)	-
Special Revenue Fund	(300,000)	-	-	(300,000)	-
Total Transfers In (Out)	<u>(391,491)</u>	<u>1,200,000</u>	<u>3,560,576</u>	<u>4,369,085</u>	<u>3,419,727</u>
Change in Net Assets	<u>11,197,991</u>	<u>935,259</u>	<u>329,079</u>	<u>12,462,329</u>	<u>(176,309)</u>
Total net assets - beginning	<u>228,417,028</u>	<u>1,693,262</u>	<u>3,177,722</u>	<u>233,288,012</u>	<u>865,129</u>
Total net assets - ending	<u>\$ 239,615,019</u>	<u>\$ 2,628,521</u>	<u>\$ 3,506,801</u>	<u>\$ 245,750,341</u>	<u>\$ 688,820</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2007

	<u>Water/Sewer Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 43,427,999	\$ 10,475,616	\$ 426,012	\$ 54,329,627	\$ 7,569,715
Receipts from other revenue	700,211	870,599	1,844,057	3,414,867	83,867
Payments to suppliers	(14,209,501)	(10,982,496)	(5,516,222)	(30,708,219)	(11,231,172)
Payments to employees	(9,294,733)	(845,867)	(171,078)	(10,311,678)	-
Net Cash provided by (used for)					
Operating Activities	<u>20,623,976</u>	<u>(482,148)</u>	<u>(3,417,231)</u>	<u>16,724,597</u>	<u>(3,577,590)</u>
Cash Flows from Noncapital Financing Activities					
Transfers In	-	1,200,000	3,560,576	4,760,576	3,419,727
Transfers Out	(391,491)	-	-	(391,491)	-
Net cash provided by noncapital financing activities	<u>(391,491)</u>	<u>1,200,000</u>	<u>3,560,576</u>	<u>4,369,085</u>	<u>3,419,727</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(14,371,911)	(748,513)	(2,257,576)	(17,378,000)	-
Proceeds from sales of capital assets	31,750	18,491	-	50,241	-
Proceeds from capital debt	3,587,405	-	-	3,587,405	-
Principal paid on capital debt	(7,387,611)	(187,909)	(273,115)	(7,848,635)	-
Proceeds from capital contributions	2,787,800	-	2,345,509	5,133,309	-
Interest paid on capital debt	(8,430,936)	-	-	(8,430,936)	-
Net cash provided by (used for) capital and related financing activities	<u>(23,783,503)</u>	<u>(917,931)</u>	<u>(185,182)</u>	<u>(24,886,616)</u>	<u>-</u>
Cash Flow Provided by (Used for) Investing Activities:					
Purchase of investment securities	(75,111,228)	-	-	(75,111,228)	-
Proceeds from sale and maturities of investment securities	66,004,276	-	-	66,004,276	-
Interest on investments	4,062,729	41,539	37,408	4,141,676	5,174
Net Cash provided by (used for) investing activities	<u>(5,044,223)</u>	<u>41,539</u>	<u>37,408</u>	<u>(4,965,276)</u>	<u>5,174</u>
Net increase (decrease) in cash and cash equivalents	(8,595,241)	(158,540)	(4,429)	(8,758,210)	(152,689)
Cash and cash equivalents at beginning of year	<u>52,771,776</u>	<u>525,099</u>	<u>4,429</u>	<u>53,301,304</u>	<u>969,788</u>
Cash and cash equivalents at end of year	<u>\$ 44,176,535</u>	<u>\$ 366,559</u>	<u>\$ -</u>	<u>\$ 44,543,094</u>	<u>\$ 817,099</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2007

	<u>Water/Sewer Disposal System</u>	<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Reconciliation of Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Operating income	\$ 13,024,226	\$ (324,771)	\$ (5,614,414)	\$ 7,085,041	\$ (3,601,210)
Depreciation expense	8,325,089	183,066	869,396	9,377,551	-
Amortization expense	214,350	-	-	214,350	-
(Increase) decrease in accounts receivable, net	(522,729)	(224,946)	-	(747,675)	(45,730)
Increase (decrease) in inventories	(281,838)	-	-	(281,838)	-
(Increase) decrease in other receivable	(411,591)	964,968	929,499	1,482,876	5,426
Increase (decrease) in due from other funds	778,506	-	-	778,506	-
Increase (decrease) in accounts payable	(568,921)	(301,959)	(60,592)	(931,472)	63,924
Increase (decrease) in customer deposits	103,879	-	-	103,879	-
(Increase) decrease in due to other funds	-	(778,506)	458,880	(319,626)	-
Increase (decrease) in other liabilities	(36,995)	-	-	(36,995)	-
Total adjustments	<u>7,599,750</u>	<u>(157,377)</u>	<u>2,197,183</u>	<u>9,639,556</u>	<u>23,620</u>
Net cash provided by (used for) operating activities	<u>\$ 20,623,976</u>	<u>\$ (482,148)</u>	<u>\$ (3,417,231)</u>	<u>\$ 16,724,597</u>	<u>\$ (3,577,590)</u>
Recap of cash and cash equivalents:					
Cash and cash equivalents	\$ 270,728	\$ 366,559	\$ -	\$ 637,287	\$ 817,099
Restricted cash and cash equivalents	<u>43,905,807</u>	<u>-</u>	<u>-</u>	<u>43,905,807</u>	<u>-</u>
	<u>\$ 44,176,535</u>	<u>\$ 366,559</u>	<u>\$ -</u>	<u>\$ 44,543,094</u>	<u>\$ 817,099</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF JACKSON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007**

	<u>Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ <u>129,792</u>	\$ <u>8,325</u>
Total assets	\$ <u><u>129,792</u></u>	\$ <u><u>8,325</u></u>
 Liabilities and Net Assets		
Liabilities:		
Payables to others	\$ <u>5,991</u>	\$ <u>-</u>
Total liabilities	<u>5,991</u>	<u>-</u>
Net Assets:		
Held in trust	<u>123,801</u>	<u>8,325</u>
Total net assets	<u>123,801</u>	<u>8,325</u>
Total liabilities and net assets	\$ <u><u>129,792</u></u>	\$ <u><u>8,325</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF JACKSON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007**

	<u>Trust Funds</u>
Additions:	
Interest	\$ 2,740
Other additions	<u>203,000</u>
Total additions	<u>\$ 205,740</u>
Deductions:	
General government	
Trust funds	\$ <u>111,024</u>
Total deductions	<u>111,024</u>
Change in Net Assets	94,716
Net assets at beginning of year	<u>29,085</u>
Net assets at end of year	<u><u>\$ 123,801</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 1 - Summary of Significant Accounting Policies:

A. REPORTING ENTITY

The City of Jackson, Mississippi (the City) is incorporated under the Laws of the State of Mississippi. The City operates under the Mayor-Council form of government with a full-time Mayor elected from the City at large and seven part-time Council members (City Council) elected from wards. The City's major operations include police and fire protection, parks and recreation, public works, public transit system, urban development and general administrative services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City is discussed below.

In evaluating the City as a reporting entity, management has addressed potential component units for which the City may or may not be financially accountable and as such, be includible within the City's financial statements. The component unit discussed below is included because of the significance of its operational or financial relationships with the City.

Discretely Presented Component Unit

Using the criteria above, management has determined that the Jackson Redevelopment Authority (JRA) and the Capital City Convention Center Commission should be reported as discretely presented component units of the City. The discretely presented component unit is reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The following is a summary of the City's discretely presented component units.

The Jackson Redevelopment Authority (JRA) was established in 1968 under Section 43-35-1 through 235 of the Mississippi Code of 1942, as annotated. In 1970, JRA became the Parking Authority for the City under the same statute. The Mayor of the City makes appointments to a seven-member Board of Commissioners for staggered five-year terms to oversee the operations of JRA. Members may be removed from office for inefficiency, neglect of duty or misconduct in office. The City Council appropriates the administrative operating budget and must review and approve any amendments or budgetary adjustments. The City Council is responsible for designation of those urban renewal projects undertaken by JRA. The City makes annual contributions necessary to pay a portion of JRA's urban renewal bonds and has agreed to make payment of substantially all of the outstanding bonds. JRA operates on a September 30 fiscal year and its financial statement data is presented as a proprietary fund type. Complete financial statements for JRA may be obtained at its administrative office located at 218 South President Street, Jackson, Mississippi 39201.

The Capital City Convention Center Commission, a non-profit corporation, was authorized to be created by House Bill 1832 during the 2004 Regular Session of the Mississippi State Legislature. The entity is governed by nine commissioners. The Mayor of the City appoints hotel/motel members for initial terms of one and three years, respectively, restaurant members for initial terms of two and four years, respectively. The Mayor appoints two members representing the business community for initial terms of one and five years, respectively. The Mayor appoints two members at large for initial terms of two and three years, respectively. One member is appointed by the Governor of Mississippi for an initial term of four years.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued):

The City issued \$65,000,000 of General Obligation Bonds for the development of the proposed Convention Center. The Capital City Convention Center Commission has jurisdiction and authority over all matters relating to the acquisition, construction, furnishing, equipping, erection, operation, maintenance, and promoting of a convention center. The Commission submits its budget and certain other planned actions to the City for comment prior to initiation. The Commission operates on a September 30 fiscal year and its financial statement data is presented as a proprietary fund type. Complete financial statements for the Capital City Convention Center Commission may be obtained at P. O. Box 3563, Jackson, Mississippi 39207.

Related Organizations

The following four agencies are non-profit corporations established within the City of Jackson. The Mayor appoints the board members of each respective agency as confirmed by the City Council. Each agency is fiscally independent from the City of Jackson, issues its debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City of Jackson is not obligated in any manner for the debt issues of these agencies. Financial statements for these agencies can be obtained at the following addresses:

Airport Authority
100 International Drive
Jackson, MS 39208

Jackson Housing Authority
2747 Livingston Road
Jackson, MS 39213

Jackson Public School District
662 South President Street
Jackson, MS 39201

Metro Jackson Convention & Visitors Bureau
921 North President Street
Jackson, MS 39202

Joint Ventures

The Jackson/Hinds Library System (the System) operates under a joint agreement between the City and Hinds County and is funded equally by the City and the County. The joint agreement was effective October 1, 1986. All buildings used by the System within the City of Jackson are owned and maintained by the City and, as such, have been included in general fixed assets. The Jackson/Hinds Library System's financial statements may be obtained by writing to 300 North State Street, Jackson, MS 39201.

B. BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE AND FUND LEVEL STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water, sewer, and public transit services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on the consolidated basis by column, (b) and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued):

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The statement of activities demonstrates the degree to which the direct expenses of a 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 applicants who 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. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public works, etc.) or a business-type activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The net costs (by function or business-type activities) are normally covered by general revenue (property, sales or gas tax, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect cost. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the changes in the City's net assets resulting from the current year's activities. Separate financial statements are provided for governmental funds and proprietary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Proprietary Funds and of the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for Proprietary Funds and Internal Service Funds include the cost of sales and services, direct administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds are used to report resources in a purely custodial capacity (assets equal liabilities). So, agency funds cannot be said to have a measurement focus, however, they do use the accrual basis of accounting to recognize receivables and payables. 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.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued):

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 City considers revenues to be available if they are collected within 60 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, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major government funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other debt of the Enterprise Funds). Bond ordinances require the City to account for debt service transactions in separate funds, restrict the flow of cash between such funds, and comply with various other covenants. For financial statement reporting, the various debt service funds have been combined.

Improvement Fund - This fund is used to account for revenues that are legally restricted for improvements to City facilities.

1998 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$35,000,000 issued to finance certain projects including storm drainage systems, construction of a youth detention center, and repairing buildings.

2003 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$20,000,000 issued to finance certain projects including storm drainage systems, repairing and the construction of municipal buildings, infrastructures, and other related improvements.

2006 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$65,000,000 issued to finance the acquisition, construction, equipping, and furnishing of a convention center in the City to be known as the Capital City Convention Center and other authorized costs.

The City reports the following major proprietary fund:

Water/Sewage Disposal Fund - This fund accounts for activities associated with the provision of water, sewerage and water pollution control services to individuals, organizations and other governmental units within and around the City.

Sanitation Fund - This fund accounts for activities associated with the City's sanitation and recycling service.

Additionally, the City reports the following fund types:

Governmental Funds:

General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued):

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

Proprietary Funds:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The City has two employee benefit trust funds, the Unemployment Compensation Revolving Fund and the Charitable Trust Fire and Police Fund. The function of the City's employee benefit trust fund is discussed in Note 5.A.2. The City's Trust Funds also include Charitable Trust Fire and Police Fund. The function of the Charitable Trust Fire and Police Fund is to account for contributions from the public sector which is held in trust for fire and police allowable claims. The purpose of the City's Agency Funds is to collect and remit to the related organizations the proceeds of a special sales tax received from the State. Agency funds do not have net assets and therefore cannot report changes in net assets.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued):

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with a maturity date generally within 90 days of the date acquired by the City. Collateral as further discussed in Note 4, is pledged by the various financial institutions to secure City funds.

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Investments

Investments are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. Government.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

4. Restricted Assets

Certain proceeds of the City's Proprietary Fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and trust accounts and their use is limited by applicable bond covenants. Restricted amounts in governmental activities include amounts set aside by law for state tort claims and amounts accumulated for general obligation bond debt service.

5. Inventories

Inventories are priced at cost using the weighted average method. Inventories are accounted for using the consumption method and are not charged out until used. Inventories consist of major stores of materials and supplies held at central locations. The user departments and other funds of the City are charged for the cost value of the items, as they are withdrawn from inventory.

6. Capital Assets

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value at the date received. The City's classes of capital assets and their capitalization levels are: land – cost or fair market value, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$500, infrastructure - \$100,000, and construction in progress – based on the project's class. Infrastructure, such as streets and bridges, is capitalized for the first time in fiscal year 2002. The cost of normal maintenance and repair that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued):

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

Interest is capitalized on proprietary fund assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. The proceeds from the sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The City has implemented the general provisions of GASBS No. 34 and has fully implemented the retroactive infrastructure provisions for the fiscal year ended September 30, 2004.

7. Compensated Absences

The City accrues accumulated unpaid personal leave and associated employee-related cost when earned (or estimate to be earned) by employees up to 240 hours. For the Proprietary Funds and the government-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Funds Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentation. The compensated absences liability is liquidated by the following funds: general fund, special revenue, transportation, sanitation & water/sewer.

8. Bond Discounts, Bond Premiums and Issuance Costs

In the government funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as an "Other Financing Sources/Uses".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the terms of the bonds outstanding method, which approximate the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable, where issuance costs are recorded as other assets.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued):

9. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near fair market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

10. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense result from providing services and producing and delivering good in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provided and deferred revenue by the recipient.

11. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

12. Reserves and Designations

Portions of fund equity are segregated for future use and therefore, are not available for future appropriations or expenditure. An amount reserved for debt service in the proprietary funds represents portions of fund equity that are required to be segregated in accordance with bond resolutions. Amounts reserved for state tort claims represent amounts required by state law to be segregated for these purposes. The unreserved designated fund balance of the Capital Projects Funds is appropriated for expenditures in future years. The amount designated for contingencies represents an earmarking of financial resources for the future use by the City to fund estimated loss contingencies.

13. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued):

14. Pension Expenses

The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in Note 5 Section E.

15. Post-Employment Health Care and Life Insurance Benefits

The City does not incur costs associated with post-employment benefits for retired employees. The City allows all vested employees to continue in the group plan after retirement; however the retired employees pay 100% of the premiums.

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.

17. Future Effective Accounting Pronouncements

GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pension*. This statement establishes standards for the measurement, recognition, and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local governmental employers. The statement requires the net Other Post-Employment Benefits (OPEB) obligation, or the shortfall of annual Other Post-Employment Benefits (OPEB) contributions to annual costs, be reported as a financial statement liability. The provisions of this statement are effective for the City for the fiscal year ending September 30, 2008. Although management has not determined the effect this statement will have on its financial statements, its impact is expected to be substantial.

GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales on a collateralized borrowing. The provisions of the statement are effective for the fiscal year ending September 30, 2008. Management anticipates this statement will not have a significant impact on the City's financial statements.

GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement provides guidance on calculations and reporting of costs and obligations associated with pollution cleanup efforts and is effective for the year ending September 30, 2008. This statement is not expected to apply to the City.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

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 governmental fund balance sheet includes a 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 bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$159,848 difference are as follows (in thousands of dollars):

Bonds payable	\$ 130,657
Less: Deferred charge on refunding (to be amortized as interest expense)	1,239
Less: Issuance premium	3,104
Less: Issuance discount (to be amortized as interest expense)	(855)
Accrued interest payable	661
Capital leases payable	14,013
Claims and judgments	2,962
Compensated absences	3,611
Workers’ Compensation Benefits	<u>4,456</u>
 Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	 <u>\$ 159,848</u>

Another element of that reconciliation explains that “Internal service funds are used to account for the group benefit plan. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.” The details of this \$689 difference are as follows (in thousands of dollars):

Net assets of the internal service funds	<u>\$ 689</u>
 Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	 <u>\$ 689</u>

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 governmental fund statement of revenues, expenditures, and changes in fund balances includes a 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.” The details of this \$237 difference are as follows (in thousands of dollars):

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

**Note 2 – Reconciliation of government-wide and fund financial statements
(Continued):**

Capital outlay	\$ 9,040
Depreciation expense	<u>(9,277)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 237</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$14,196 difference are as follows (in thousands of dollars):

Principal repayments:	
General obligation debt	\$ 8,215
Limited obligation debt	195
Special obligation debt	5,420
Other debt	<u>366</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 14,196</u>

Another element of that reconciliation states that “The activities from debt related transactions include new capital lease proceeds reported in the fund statements and retirement of prior lease.” The details of this \$1,996 difference are as follows (in thousands of dollars):

Debt issued or incurred:	
Capital lease financing	\$ 1,118
Principal repayments:	
Payment on capital lease	<u>(3,114)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,996</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$381 difference are as follows (in thousands of dollars):

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

**Note 2 – Reconciliation of government-wide and fund financial statements
(Continued):**

Compensated absences	\$ 46
Workers' compensation benefits	(366)
Claims and judgments	(444)
Accrued interest	(41)
Amortization of bond premium	353
Amortization of bond discounts	(74)
Amortization of issuance costs	162
Amortization of deferred costs	<u>(17)</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 381</u>
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Another element of that reconciliation states that “Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements.” The details of this \$780 difference are as follows (in thousands of dollars):

Property taxes receivable	\$ 617
Special assessments receivable	<u>163</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 780</u>

Another element of that reconciliation states that “Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this \$176 difference are as follows (in thousands of dollars):

Change in net assets of the internal service funds	<u>\$ 176</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 176</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 3 – Stewardship, Compliance and Accountability

A. BUDGETARY INFORMATION

The City follows these procedures in establishing budgetary data reflected in the financial statements.

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division of the Department of Administration by June 1 each year.
3. The Finance Division of the Department of Administration reviews the expenditure budgets, and the necessary revisions are communicated to department directors.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared by July 1, and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
6. The budget is formally amended in September each year or any time that budget revisions through funds reallocation are necessary or a budget deficit is indicated.
7. Pursuant to State law, the City adopts annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds (with the exception of the 1986 Industrial Park, the 1992 Special Assessment and the 1996 Metro Station Funds), Enterprise Funds, Internal Service Fund and Trust Funds (with the exception of the Charitable Trust Fire and Police Fund). Budgets for the Enterprise Funds are prepared on a GAAP basis but exclude depreciation and bad debt expense and include debt retirement payments. The General Fund, Debt Service Fund, Special Revenue Funds, Capital Projects Funds, Internal Service Fund and Trust Funds are prepared in accordance with GAAP. Budget and actual comparisons are presented in the accompanying financial statements for all governmental type funds for which a budget is adopted.

During the fiscal year, several adjustments are normally required to the adopted budget. The approved budget may be amended as required in accordance with the following protocol:

- a. Revenues are reviewed at least quarterly, and the projections are adjusted if warranted. These adjustments to expected revenues, if material, can precipitate adjustments to the expenditure budget.
- b. Adjustments to transfer approved expenditure budgets from one department to another or to transfer from one category to another within a department must be approved by the City Council.
- c. All new appropriations must be approved by the City Council and are normally submitted by the Mayor's Office.

The legal level of control for all budgets adopted is at the category level by funds with the exception of the General Fund, which is appropriated at the category level by department. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 3 – Stewardship, Compliance and Accountability (Continued):

The Finance Division of the Department of Administration exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. The Finance Division of the Department of Administration advises the Mayor whenever a requested expenditure will exceed budgeted amounts. The City Council may approve expenditures in excess of budgeted amounts in various funds or departments as appropriate, as long as total annual expenditures do not exceed available resources. Adjustments in expenditure rates, if necessary, are implemented by the City Council as required, so that the total expenditures and resources will remain in balance throughout the year.

8. Budgeted expenditure or expense amounts and other uses as originally adopted were amended by the City Council in September 2007 as provided by law, as follows (in thousands of dollars):

	Originally Adopted Budget	Budget as Amended	Increase (Decrease)
General Fund	\$ 119,515	\$ 123,905	\$4,390
Special Revenue Funds	45,697	47,694	1,997
Debt Service Fund	11,102	11,140	38
Capital Projects Funds	14,386	19,911	5,525
Enterprise Funds	134,955	137,308	2,353
Internal Service Fund	11,431	11,566	135
	\$ 337,086	\$ 351,524	\$ 14,438

9. Unexpended appropriations lapse at year end in all funds.

B. DEFICIT FUND EQUITY

The deficit fund equity by individual fund as of September 30, 2007 follows (in thousands of dollars):

	<u>Deficit</u> <u>Fund Balance/Retained Earnings</u>
State Grant Fund	\$ <u>62</u>
Total	\$ <u>62</u>

The City is taking appropriate action to eliminate these fund deficits.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds

A. DEPOSITS AND INVESTMENTS

1. Policies and Practices

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

2. Deposits – Primary government

At year end, the carrying amount of the City's deposits was \$109,205,594 and the bank balances totaled \$109,308,632. Of the bank balances, \$100,000 was insured by federal deposit insurance and \$109,208,632 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code.

3. Investments – Primary Government

As of September 30, 2007, the City had investments consisting of U.S. Agencies at a total fair value of \$65,641,449 with a total Portfolio Weighted Average maturity of less than one year.

Investment Rate Risk – Interest rate risk is that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to losses from rising interest rates, the City's investment policy limits investment maturities in its portfolio to no more than 12 months for U.S. Treasury obligations for all investments except bond funds. With respect to bond funds, the City can invest in obligations of U.S. federal agencies for no more than 18 months.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possessions of an outside party. Consistent with the City's investment policy, all investments above are held by a counterparty and are not insured.

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer
- Bonds or direct obligations of the:
 - United States of America
 - State of Mississippi
 - County or Municipality of Mississippi
 - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

4. Cash and Investments - Component Unit

The component unit's policy is to invest available funds in the following types of investments: 1) direct obligations of the U. S. of America, including such instruments as treasury bills, treasury notes and treasury bonds; 2) obligations of U. S. Government agencies that are deliverable on the Federal Reserve System; 3) Repurchase agreements in U. S. Government securities made with dealers that report to and are regulated by the Federal Reserve Bank; 4) deposits with financial institutions which are insured or are fully collateralized by qualifying securities.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). As of September 30, 2007 all of the component unit's cash deposits in excess of the amounts covered by the FDIC were covered under the collateral pool administered by the State Treasurer.

Cash equivalents are reflected at cost, which approximates fair value. These cash equivalents were uninsured, unregistered, and held by the counterparty brokerage firm. At September 30, 2007, cash equivalents of the of the component unit consisted of the following (amounts are expressed in thousand dollars):

U. S. Treasury Bills:		
Unrestricted:	\$	406
Restricted under bond agreements		2,113
	\$	<u>2,519</u>

B. RECEIVABLES

Receivables at September 30, 2007, for the primary government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (amounts are expressed in thousand dollars):

	General	Debt Service	Water and Sewer	Sanitation	Improvement Fund	1998 G O Bond	2003 G O Bond	2006 G O Bond	Nonmajor and Other Funds	Total
Receivables:										
Accounts receivable	\$ -	\$ -	\$ 7,842	\$ 2,252	\$ -	\$ -	\$ -	\$ -	\$ 436	\$ 10,530
Intergovernmental	1,185	-	482	-	1,651	17	-	-	4,846	8,181
Other	<u>48,353</u>	<u>10,066</u>	<u>387</u>	<u>1</u>	<u>354</u>	<u>-</u>	<u>65</u>	<u>109</u>	<u>7,990</u>	<u>67,325</u>
Gross receivables	<u>\$ 49,538</u>	<u>\$ 10,066</u>	<u>\$ 8,711</u>	<u>\$ 2,253</u>	<u>\$ 2,005</u>	<u>\$ 17</u>	<u>\$ 65</u>	<u>\$ 109</u>	<u>\$ 13,272</u>	<u>\$ 86,036</u>

Revenues of Water and Sewer are reported net of uncollectible amounts.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

B. RECEIVABLES (Continued):

1. Property taxes

Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Hinds, Rankin and Madison Counties bill and collect the real, personal and auto ad valorem taxes for the City of Jackson, Jackson Municipal Separate School District and the Jackson/Hinds Library System. Automobile taxes are remitted monthly and real and personal taxes are remitted on a weekly basis to the City of Jackson. Hinds County remits directly to the Jackson Municipal Separate School District taxes collected for all school funds except the Bond and Interest Fund in accordance with State law. Hinds County also remits to the City a pro rata share of road and bridge taxes collected by the County.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due on February 1 and one-fourth each on May 1 and August 1.

Tax millage levies for 2006 were collected in the current fiscal year and statutory maximum millage rates were as follows:

<u>Fund</u>	<u>Levy (in mills)</u>	<u>Purpose</u>	<u>Maximum</u>
General Fund	39.67	General	None
Parks and Recreation Fund	2.00	Recreation	2.00 mills
Debt Service Fund	9.52	Debt retirement	None
Disability and Relief Fund	<u>5.56</u>	Retirement	None
Total City of Jackson	<u>56.75</u>		
Jackson/Hinds Library System	<u>1.28</u>	Public library	None
Jackson Municipal Separate School District:			
District Supplement Levy	68.91	Public schools	None
Special Debt Retirement Levy	2.71	Public schools	None
Special Debt Retirement Bond	1.60	Public schools	None
Special Debt Retirement	<u>1.77</u>	Public schools	None
	<u>74.99</u>		
Total mills	<u>133.02</u>		

Landscape Improvement fund rate consists of nine cents of the gross square footage of land and building of property owners located in the downtown development district.

The City is permitted to levy taxes based on a percentage of up to 100% of fair value of property at the millage indicated above. At the present time, the City levies taxes based on 10% of fair value for homeowner-occupied real property, 15% of fair value for all other real and personal property, and 30% of fair value for all motor vehicles and property owned by public service corporations. The City may levy taxes as necessary to meet bonded debt retirement. Limitations are imposed on the amount of bonded debt that may be issued based upon assessed valuation of properties.

Annual tax increases for all purposes except payment of general obligation bonds and interest are limited by State law to 10% of the preceding year's receipts plus new construction.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

B. RECEIVABLES (Continued):

The State levies a 7% sales tax on retail sales and remits 18.5% of collections to the City monthly. Intergovernmental revenue of the General Fund includes \$35,838,035 of sales tax revenue.

In accordance with the Local and Private Act, since January 1, 2005 the City has levied, assessed and is collecting: (a) tax of 1% of the gross proceeds of sales of restaurants and of sales of food and beverages in the hotels and motels, within the City; (b) a tax of 3% of the gross proceeds of sales of hotel and motel rooms and lodging within the City; and (c) a tax of 3% of gross proceeds of sales at the Convention Center by caterers. The tax is primarily to be used for debt service payments on bonds issued for the construction of the Capital City Convention Center.

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

	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 47,916
Delinquent property taxes receivable (debt service fund)	84,524
Special assessments not yet due (debt service fund)	163,065
Current year tax assessments (all funds)	62,801,665
Grant drawdowns prior to meeting all eligibility requirements	<u>1,008,096</u>
Total unearned revenue for governmental funds	<u>\$ 64,105,266</u>

C. CHANGES IN CAPITAL ASSETS

1. Primary government capital asset activity for the year ended September 30, 2007, was as follows (amounts are expressed in thousands):

	Balance September 30, 2006	Additions	Deletions	Balance September 30, 2007
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 14,698	\$ -	\$ (257)	\$ 14,441
Construction in progress	<u>36,865</u>	<u>5,229</u>	<u>(904)</u>	<u>41,190</u>
Total capital assets not being depreciated	<u>51,563</u>	<u>5,229</u>	<u>(1,161)</u>	<u>55,631</u>
Capital assets being depreciated:				
Buildings	65,943	841	-	66,784
Infrastructure	238,632	591	-	239,223
Automotive and equipment	<u>65,927</u>	<u>3,824</u>	<u>(283)</u>	<u>69,468</u>
Total capital assets being depreciated	<u>370,502</u>	<u>5,256</u>	<u>(283)</u>	<u>375,475</u>
Less accumulated depreciation for:				
Buildings	(15,804)	(1,274)	-	(17,078)
Infrastructure	(76,320)	(4,968)	-	(81,288)
Automotive and equipment	<u>(52,488)</u>	<u>(3,035)</u>	<u>-</u>	<u>(55,523)</u>
Total accumulated depreciation	<u>(144,612)</u>	<u>(9,277)</u>	<u>-</u>	<u>(153,889)</u>
Total capital assets being depreciated, net	<u>225,890</u>	<u>(4,021)</u>	<u>(283)</u>	<u>221,586</u>
Total governmental activities capital assets, net	<u>\$ 277,453</u>	<u>\$ 1,208</u>	<u>\$ (1,444)</u>	<u>\$ 277,217</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

C. CHANGES IN CAPITAL ASSETS (Continued):

	Balance September 30, 2006	Additions	Deletions	Balance September 30, 2007
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,838	\$ -	\$ -	\$ 1,838
Construction in progress	89,880	13,573	(1,139)	102,314
Total capital assets not being depreciated	91,718	13,573	(1,139)	104,152
Capital assets being depreciated:				
Buildings	1,776	4	-	1,780
Infrastructure	319,797	1,139	-	320,936
Automotive and equipment	84,029	3,801	(2,665)	85,165
Total capital assets being depreciated	405,602	4,944	(2,665)	407,881
Less accumulated depreciation for:				
Buildings	(579)	(47)	-	(626)
Infrastructure	(106,504)	(5,068)	-	(111,572)
Automotive and equipment	(58,369)	(4,263)	2,665	(59,967)
Total accumulated depreciation	(165,452)	(9,378)	2,665	(172,165)
Total capital assets being depreciated, net	240,150	(4,434)	-	235,716
Total business-type activities capital assets, net	\$ 331,868	\$ 9,139	\$ (1,139)	\$ 339,868

2. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$ 464
Public Safety	1,855
Public Works	6,680
Culture and recreation	278

Total depreciation expense – governmental activities \$ 9,277

Business-Type Activities:

Water/Sewer	\$ 8,325
Sanitation	183
Non-major business – type activities	870

Total depreciation expense – business-type activities \$ 9,378

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

C. CHANGES IN CAPITAL ASSETS (Continued):

3. Construction work in progress for the governmental activities of the primary government is composed of the following:

Project	Spent-to-date	Remaining Commitment
Improvement Fund	\$ 9,463,577	\$ 285,343
Community Development Block Grant	300,556	7,575
1982 Industrial Park Bond	189,686	-
1988 G O Public Improvement Construction Bond	116,179	-
1994 G O Public Improvement Construction Bond	10,000	-
1998 G O Public Improvement Construction Bond	15,976,439	247,265
2003 G O Public Improvement Construction Bond	11,919,965	2,804,016
Economic Development Initiative –		
Economic Development	159,956	20,600
Traffic – Repair and Replacement	1,363,159	305,323
Drainage – Repair and Replacement	-	38,714
Housing Rehab	284,377	-
Resurfacing – Repair and Replacement	1,396,954	226,546
Hawkins Field Industrial Development	9,554	76
Parks – Repair and Replacement	-	28,161
Total	\$ 41,190,402	\$ 3,963,619

4. Construction work in progress at September 30, 2007, for primary government enterprise funds is composed of the following:

Project	Spent-to-date	Remaining Commitment
Water/Sewer Construction Fund	\$102,314,394	\$10,086,340
Total	\$102,314,394	\$10,086,340

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

C. CHANGES IN CAPITAL ASSETS (Continued)

5. A summary of changes in capital assets for component units is as follows: (amounts are expressed in thousands)

Activity for the Jackson Redevelopment Authority for the year ended September 30, 2007, was as follows:

Business-Type Activities:	Balance September 30, 2006	Additions	Deletions	Balance September 30, 2007
Capital assets not being depreciated:				
Land	\$ 6,965	\$ -	\$ (2,662)	\$ 4,303
Construction in progress	6,267	25	(6,267)	25
Property held for sales	-	2,750	-	2,750
Property held for development	7,044	-	(5,273)	1,771
Total capital assets not being depreciated	<u>20,276</u>	<u>2,775</u>	<u>(14,202)</u>	<u>8,849</u>
Other capital assets:				
Land improvements	29	-	-	29
Buildings	44,730	7,037	(2,175)	49,592
Equipment and furniture	1,288	-	-	1,288
Total other capital assets	<u>46,047</u>	<u>7,037</u>	<u>(2,175)</u>	<u>50,909</u>
Less accumulated depreciation for:				
Land improvements	(29)	-	-	(29)
Buildings	(13,491)	(1,161)	309	(14,343)
Equipment and furniture	(1,281)	(2)	-	(1,283)
Total capital assets being depreciated	<u>(14,801)</u>	<u>(1,163)</u>	<u>309</u>	<u>(15,655)</u>
Total other capital assets, net	<u>31,246</u>	<u>5,874</u>	<u>(1,866)</u>	<u>35,254</u>
Total capital assets, net	<u>\$ 51,522</u>	<u>\$ 8,649</u>	<u>\$ (16,068)</u>	<u>\$ 44,103</u>

Depreciation expense was charged to activities as follows:

Urban renewal projects	\$ 739,299
Rehabilitation loan services	1,809
Parking facilities	421,748
Total	<u>\$1,162,856</u>

Activity for the Capital City Convention Center Commission for the year ended September 30, 2007, was as follows:

Business-Type Activities:	Balance September 30, 2006	Additions	Deletions	Balance September 30, 2007
Capital assets not being depreciated:				
Land	\$ 4,672	\$ 13	\$ -	\$ 4,685
Construction in progress	2,598	14,728	-	17,326
Total capital assets not being depreciated	<u>7,270</u>	<u>14,741</u>	<u>-</u>	<u>22,011</u>
Total capital assets, net	<u>\$ 7,270</u>	<u>\$ 14,741</u>	<u>\$ -</u>	<u>\$ 22,011</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Individual fund interfund receivable and payable balances as of September 30, 2007 follows (in thousands of dollars):

	Interfund Receivables	Interfund Payables
General Fund	\$ 4,281	\$ -
Water/Sewage Disposal System Fund	569	-
Sanitation Fund	-	569
Nonmajor Governmental Funds	-	211
Nonmajor Proprietary Funds	-	4,070
Total	\$ 4,850	\$ 4,850

Summary of transfer in/transfer out within primary government (in thousands of dollars):

	Transfer In	Transfer Out
General Fund	\$ -	\$ 14,083
Debt Service	270	-
Improvement Fund	1,350	258
Water/Sewage Disposal System Fund	-	391
Sanitation Fund	1,200	-
2006 G O Bond	-	9
Nonmajor Governmental Funds	4,944	4
Nonmajor Fiduciary Funds	3,420	-
Nonmajor Proprietary Funds	3,561	-
Total	\$ 14,745	\$ 14,745

Interfund transfers at September 30, 2007 consist of the following (in thousands of dollars):

\$	4	From the Nonmajor Governmental Funds (1986 Industrial Park and 1992 Special Assessment Bond) to Debt Service for the closing of the projects.
	9	From the 2006 G O Bond to Debt Service to subsidize operations.
	258	From the Improvement Fund to Debt Service to subsidize operations.
	1,350	From the General Fund to a Major Governmental Fund (Improvement Fund) to subsidize operations.
	1,200	From the General Fund to Sanitation Fund to subsidize operations.
	4,944	From the General Fund to Nonmajor Governmental Funds (Parks and Recreation, Federal and State Grant Funds) to subsidize operations.
	3,420	From the General Fund to Nonmajor Fiduciary Fund (Internal Service Fund) to subsidize operations.
	3,469	From the General Fund to Nonmajor Proprietary Funds (Transportation) to subsidize operations.
	91	From the Water/Sewage Disposal System Fund to Nonmajor Proprietary Funds (Madison Sewage) to subsidize operations.
\$	14,745	

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

E. CAPITAL LEASES:

The City leases property with varying terms and options. Most leases contain a clause that states that the lease shall terminate in the event that no funds or insufficient funds are appropriated. However, if renewal is reasonably assured, leases are considered noncancellable leases for financial reporting purposes.

The City has financed through lease agreements the acquisition of the data processing division computer system, word-processing systems for the legal division, computerized records management system and a computer-aided dispatch system for the fire and police departments, and various copying and duplicating equipment. In addition, tractors have been acquired for both the Water Maintenance and the Engineering Maintenance divisions; golf carts have been acquired for the City's golf courses and riding lawn mowers have been acquired for park maintenance. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception. Future minimum lease payments under operating leases are disclosed in the following note. At September 30, 2007, there were assets under capital lease totaling \$18,144,956 for machinery and equipment. Future minimum lease payments for capital leases are disclosed in Note 3 section 9.

The City has reported the proceeds of capital leases related to its Proprietary Funds as inflows of cash since the City receives cash advances from the lessors and purchases the related assets.

F. OPERATING LEASES:

The City is obligated under certain noncancellable leases for land and buildings with terms remaining more than one year that are classified as operating leases. Operating leases do not give rise to property rights; therefore, the results of the lease agreements are not reflected in the City's account groups. Total lease expenditures for the rental of all land and buildings under operating leases for the year ended September 30, 2007, amounted to \$644,758. The following is a schedule by years of future minimum lease payments required under the noncancellable land and building operating leases as of September 30, 2007, (in thousands of dollars):

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 518
2009	477
2010	469
2011	471
2012	406
2013 and thereafter	<u>2,956</u>
Total	<u>\$ 5,297</u>

The total rental expenditures for all operating leases of the City for the year ended September 30, 2007 totaled to \$1,239,120. There were no subleases or contingent rentals associated with the operating leases.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT:

1. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are to be repaid from proprietary revenues.

The City issued \$20 million of general obligation bonds in January 2003 to provide funds for the costs of: (A) erecting, repairing, improving, and equipping municipal buildings, (B) improving streets, (C) traffic signals, (D) drainage improvements.

On August 4, 2005, the City issued \$20,960,000 in General Obligation Refunding Bonds with an average interest rate of 4.26 percent to advance refund \$20,710,000 of outstanding General Obligation Bonds, Series 1998 with an average interest rate of 5.05. The net proceeds of \$21,904,652 (after payment of \$343,777 in underwriting fees, insurance and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the General Obligation Bonds, Series 1998. As a result, the General Obligation Bonds, Series 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. A portion (\$7,490,000) of the General Obligation Bonds, Series 1998 was not refunded.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,401,036. This difference is being charged to operations through the year 2017. The City completed the advance refunding to reduce its total debt service payments over the next 12 years by \$816,595 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$861,719.

On November 8, 2006, the city issued \$65,000,000 in General Obligation Bonds to provide funds (a) to purchase the City Bond to provide funds to the City in order to finance the acquisition, construction, equipping, and furnishing of a convention center in the City to be known as the Capital City Convention Center and for other authorized purposes under pay the Costs of Issuance of the Series 2006 Bonds and the City Bond, including the cost of the premium for the Bond Insurance Policy.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds in denominations of \$5,000 with principal maturing annually and interest due at various semi-annual dates.

General obligation bonds currently outstanding at September 30, 2007, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>General Obligation Bonds:</u>					
<u>General Long-Term Debt:</u>					
Industrial Park Bonds, Refunding 1996	2/01/96	5.20-6.05%	12/01/06	3,570	\$ -
Refunding Bonds, Series 1998	6/16/98	3.75-4.85%	07/01/14	5,490	3,935
General Obligation Bonds, Series 1998 Refunded 8/4/2005	10/01/98	4.00-5.25%	10/01/18	35,000	4,370
General Obligation Bonds, Series 2002	01/31/02	4.00-5.00%	05/01/18	30,605	5,110
MS Development Bank GO Bonds, Series 2003	01/05/03	2.00-5.25%	03/01/23	20,000	17,395
General Obligations Bonds, Refunding 2005	08/04/05	3.00-5.00%	10/01/17	20,960	19,690
General Obligation Bonds, Series 2006	11/08/06	3.60-5.00%	03/01/36	65,000	<u>65,000</u>
Total General Obligation Bonds in General Long-Term Debt					<u>\$ 115,500</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

2. Revenue Bonds

On October 22, 2004, the City issued \$78,085,000 of Water/Sewer System Revenue and Revenue Refunding Bonds with an average interest rate of 4.53 percent to provide construction funding of \$57,985,452 and to advance refund \$5,030,000 of outstanding Water/Sewer System Revenue Bonds, Series 1999 with an average interest rate of 6.38 percent and to advance refund \$5,895,000 of outstanding Water/Sewer System Revenue Bonds, Series 2002 with an average interest rate of 3.71. The net proceeds of \$11,567,152 (after payment of \$210,259 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portions of the Water/Sewer System Revenue Bonds, Series 1999 and the Water/Sewer System Revenue Bonds, Series 2002 that were refunded. As a result, the portion of the Water/Sewer System Revenue Bonds, Series 1999 and the Water/Sewer System Revenue Bonds, Series 2002 that were refunded are considered to be defeased and the liability for those bonds has been removed from the Water/Sewer Proprietary Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$642,152. This difference is being charged to operations through the year 2034. The City completed the advance refunding to reduce its total debt service payments over the next 6 years by \$9,212,277 which resulted in an economic gain (difference between the present values of the old debt and the new debt service payments) of \$209,734.

On August 4, 2005, the City issued \$27,180,000 in Water/Sewer System Revenue Refunding Bonds with an average interest rate of 4.32 percent to advance refund \$25,800,000 of outstanding Water/Sewer System Revenue Bonds, Series 1999 with an average interest rate of 5.21. The net proceeds of \$27,758,429 (after payment of \$496,236 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the Water/Sewer System Revenue Bonds, Series 1999. As a result, the Water/Sewer System Revenue Bonds, Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the Water/Sewer Proprietary Fund. A portion (\$5,085,000) of the Water/Sewer System Revenue Bonds, Series 1999 was not refunded.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,785,028. This difference is being charged to operations through the year 2024. The City completed the advance refunding to reduce its total debt service payments over the next 19 years by \$1,057,504 and to obtain an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,383,192.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Revenue bonds outstanding, at September 30, 2007, were as follows (in thousands of dollars):

<u>Revenue Bonds:</u>	<u>Date of</u>	<u>Interest</u>	<u>Final</u>	<u>Issued</u>	<u>Outstanding</u>
<u>Enterprise Funds:</u>	<u>Obligation</u>	<u>Rate</u>	<u>Maturity</u>		
			<u>Date</u>		
Combined Water/Sewer System Bonds	07/07/99	5.00-6.75%	09/30/24	35,000	\$ 55
Combined Water/Sewer System Bonds Series 2002	09/01/02	3.00-5.50%	09/01/32	50,000	42,355
Water/Sewer Revenue Refunding 2003	02/15/03	4.00-5.25%	09/01/11	40,520	20,200
Water/Sewer Revenue Refunding 2004	10/22/04	3.00-5.00%	09/01/34	78,085	77,880
Water/Sewer Revenue Refunding 2005	07/01/05	3.00-5.00%	09/01/24	27,180	<u>27,180</u>
Total Revenue Bonds					<u>\$167,670</u>

3. Tax Increment Limited Obligation Bonds

The City issued \$1.650 million of tax increment limited obligation bonds in July 1996 to provide funds for the costs of constructing certain infrastructure improvements needed for the development of a retail shopping center. The City entered into an Interlocal Cooperation Agreement with Hinds County, Mississippi, to provide the pledge of certain ad valorem tax revenues for the payment of the principal and interest on the bonds. As a result, the bonds are not a general obligation of the City. Limited obligation bonds outstanding at September 30, 2007, are as follows (in thousands of dollars):

<u>Limited Obligation Bonds:</u>	<u>Date of</u>	<u>Interest</u>	<u>Final</u>	<u>Issued</u>	<u>Outstanding</u>
<u>General Long-Term Debt:</u>	<u>Obligation</u>	<u>Rate</u>	<u>Maturity</u>		
			<u>Date</u>		
Tax Increment Financing (Metro Station Project) Bonds, 1996	07/01/96	7.25%	07/01/2008	1,650	<u>210</u>
Total Limited Obligation Bonds					<u>\$ 210</u>

4. Special Obligation Bonds

The City issued \$49.790 million of special obligation bonds in October 1997 to provide funds to make a loan to the City, the proceeds of which loan will be used by the City to fund a portion of the City's unfunded actuarial accrued liability (UAAL) in the City's Disability and Relief Retirement System. Special obligation bonds outstanding at September 30, 2007, are as follows (in thousands of dollars):

<u>Special Obligation Bonds:</u>	<u>Date of</u>	<u>Interest</u>	<u>Maturity</u>	<u>Issued</u>	<u>Outstanding</u>
<u>General long-term debt:</u>	<u>Obligation</u>	<u>Rate</u>	<u>Date</u>		
MS Development Bank Taxable Special Obligation Bonds, Series 1997	10/15/97	5.75-6.60%	7/01/2009	\$49,790	<u>\$ 12,430</u>
Total Special Obligation Bonds					<u>\$ 12,430</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

5. Jackson Redevelopment Authority

Urban Renewal Bonds

Urban renewal bonds are issued to provide funds for various rehabilitation projects. The urban renewal bonds outstanding and net of unamortized bond discount of \$70,269 at September 30, 2007, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>Urban Renewal Bonds:</u>					
Enterprise Funds:					
Urban Renewal Central Business District, 1986-A	08/01/86	7.20-10.25%	08/01/09	\$ 1,040	\$ 185
Urban Renewal Refunding, Series 1993-B	05/15/93	2.80-5.75%	07/01/08	6,515	610
Urban Renewal Refunding, Series 1995-A	06/01/95	4.00-7.00%	04/01/13	6,295	2,753
Urban Renewal Refunding Series 1997-A	10/01/97	4.00-5.00%	11/01/13	12,270	5,459
Urban Renewal Revenue Bonds, Series 1997	11/01/97	Variable	11/01/12	25,200	12,820
Urban Renewal Central Business District, 1998-A	09/01/98	4.50-6.375%	09/01/23	2,825	2,165
Urban Renewal Central Business District, 1998-B	09/01/98	6.50-8.50%	09/01/23	1,175	965
Urban Renewal Central Business District, 1998-C	09/01/98	6.50-8.50%	09/01/18	1,800	1,661
Urban Renewal Bonds Jackson Mall Area Project, 1998-A	11/01/98	4.10-5.70%	11/01/13	650	360
Urban Renewal Bond Central Business District, 2000-A	11/01/00	5.00-7.00%	11/01/25	2,250	2,005
Urban Renewal Bond Central Business District 2003-B	10/01/03	2.69%	10/01/06	4,450	-
Urban Renewal Bond Central Business District 2006	10/01/07	4.00%	10/01/08	4,450	<u>4,450</u>
Total Urban Renewal Bonds					<u>\$ 33,433</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

6. A summary of long-term debt transactions for the primary government and for the component unit for the year ended September 30, 2007, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and loans payable:					
General obligation bonds	\$ 58,715	\$ 65,000	\$ 8,215	\$ 115,500	\$ 8,120
Limited obligation bonds	405	-	195	210	210
Special obligation bonds	17,850	-	5,420	12,430	6,000
State issued bonds	1,426	-	285	1,141	285
State revolving loan MDA	602	-	34	568	35
Miss. Development Bank Loan	668	-	46	622	46
Hancock Bank	-	186	-	186	-
Less deferred amounts:					
For issuance discount	(371)	(558)	(74)	(855)	-
On refunding	1,401	-	162	1,239	-
For issuance premium	2,340	1,117	353	3,104	-
Total bonds payable	<u>83,036</u>	<u>65,745</u>	<u>14,636</u>	<u>134,145</u>	<u>14,696</u>
Capital leases	16,009	1,118	3,114	14,013	3,196
Claims and judgments	2,518	520	76	2,962	810
Workers' Compensation Benefits	4,090	1,813	1,447	4,456	2,330
Compensated absences	3,657	345	391	3,611	1,055
	<u>26,274</u>	<u>3,796</u>	<u>5,028</u>	<u>25,042</u>	<u>7,391</u>
Total Governmental Activity	<u>\$ 109,310</u>	<u>\$ 69,541</u>	<u>\$ 19,664</u>	<u>\$ 159,187</u>	<u>\$ 22,087</u>
Business-type activities:					
Bonds and loans payable:					
Revenue bonds	\$ 173,700	\$ -	\$ 6,030	\$ 167,670	\$ 6,325
Less deferred amounts:					
For issuance premiums	6,670	-	625	5,854	-
On refunding	(2,347)	-	(214)	(2,133)	-
Total bonds payable	<u>178,023</u>	<u>-</u>	<u>6,441</u>	<u>171,582</u>	<u>6,325</u>
Capital leases	1,379	1,424	535	2,268	802
State Revolving Loan (DEQ)	18,125	2,164	1,284	19,005	1,334
	<u>19,504</u>	<u>3,588</u>	<u>1,819</u>	<u>21,273</u>	<u>2,136</u>
Total Business-type activities	<u>\$ 197,527</u>	<u>\$ 3,588</u>	<u>\$ 8,260</u>	<u>\$ 192,855</u>	<u>\$ 8,461</u>
Component Unit – Jackson Redevelopment Authority					
Urban Renewal bonds	\$ 32,765	\$ -	\$ 4,015	\$ 28,750	\$ 4,255
Urban Renewal notes	4,450	-	-	4,450	-
Component Unit – Capital City Convention Center Commission					
Promissory Note	400	-	-	400	-
Total Component Unit	<u>\$ 37,615</u>	<u>\$ -</u>	<u>\$ 4,015</u>	<u>\$ 33,600</u>	<u>\$ 4,255</u>
Total Long-Term Debt	<u>\$ 344,452</u>	<u>\$ 73,129</u>	<u>\$ 31,939</u>	<u>\$ 385,642</u>	<u>\$ 34,803</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

7. The City's legal debt margin for the issuance of general obligation bonds was \$109,427,752 at September 30, 2007.

8. Annual Maturities Requirements

The annual requirements to amortize all long-term debts outstanding, net of unamortized bond discount of \$70,269 for the component unit as of September 30, 2007, including interest, by source of retirement are as follows (in thousands of dollars):

Debt Service Fund (Special Tax Levy)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2008	\$ 4,464	\$ 8,120	\$ 12,584
2009	4,989	3,155	8,144
2010	4,931	3,260	8,191
2011	4,816	3,390	8,206
2012	4,688	3,955	8,643
2013 – 2017	20,624	25,535	46,159
2018 – 2022	15,167	14,715	29,882
2023 – 2027	11,168	14,140	25,308
2028 – 2032	7,489	18,585	26,074
2033 – 2037	2,157	20,645	22,802
Total	\$ 80,493	\$115,500	\$ 195,993

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Fiscal Year	Limited Obligation Bonds		Special Obligation Bonds		Total
	Interest	Principal	Interest	Principal	
2008	\$ 15	\$ 210	\$ 817	\$ 6,000	\$ 19,626
2009	-	-	424	6,430	14,998
2010	-	-	-	-	8,191
2011	-	-	-	-	8,206
2012	-	-	-	-	8,643
2013 – 2017	-	-	-	-	46,159
2018 – 2022	-	-	-	-	29,882
2023 – 2027	-	-	-	-	25,308
2028 – 2032	-	-	-	-	26,074
2033 – 2037	-	-	-	-	22,802
Total	<u>\$ 15</u>	<u>\$ 210</u>	<u>\$ 1,241</u>	<u>\$ 12,431</u>	<u>\$209,889</u>

General Fund (General Fund Revenues)

Fiscal Year	Jackson Redevelopment Authority Bonds		Obligation Under Capital Leases		Total
	Interest	Principal	Interest	Principal	
2008	\$ 246	\$ 1,000	\$ 530	\$ 3,196	\$ 4,972
2009	198	1,050	407	2,358	4,013
2010	150	960	327	1,559	2,996
2011	102	1,005	268	1,219	2,594
2012	63	1,540	219	1,269	3,091
2013 – 2017	-	-	477	3,869	4,346
2018 – 2022	-	-	37	543	580
Total	<u>\$ 759</u>	<u>\$ 5,555</u>	<u>\$ 2,265</u>	<u>\$ 14,013</u>	<u>\$22,592</u>

The City has unconditionally and irrevocably agreed to grant and contribute to the Jackson Redevelopment Authority from the General Fund of the City sums sufficient to pay the principal of and interest on the bonds issued by the Jackson Redevelopment Authority for urban renewal purposes, as the same shall mature and become due. The City has designated proceeds from Community Development Block Grants to service approximately 39% of the Jackson Redevelopment Authority bond requirements. Principal and interest maturities for 2007 were paid by contributions from the General Fund of \$1,528,011.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Enterprise Funds - Water/Sewage Disposal System Fund (Water/Sewer Revenue)

Revenue Bonds

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2008	\$ 8,212	\$ 6,325
2009	7,898	5,460
2010	7,617	6,965
2011	7,284	6,085
2012	6,996	4,245
2013 – 2017	32,033	24,180
2018 – 2022	25,589	30,610
2023 – 2027	17,567	31,850
2028 – 2032	9,633	35,260
2033 – 2037	<u>1,262</u>	<u>16,690</u>
Total	<u>\$ 124,091</u>	<u>\$ 167,670</u>

Obligations Under
Capital Lease

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2008	\$ 72	\$ 802
2009	48	686
2010	21	616
2011	5	128
2012	3	36
2013 – 2017	<u>-</u>	<u>-</u>
Total	<u>\$ 149</u>	<u>\$ 2,268</u>

State Revolving Loan

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	\$ 600	\$ 1,334	\$ 17,345
2009	547	1,387	16,026
2010	483	1,442	17,144
2011	435	1,499	15,436
2012	376	1,558	13,214
2013 – 2017	921	8,504	65,638
2018 – 2022	202	3,173	59,574
2023 – 2027	4	108	49,529
2028 – 2032	-	-	44,893
2033 – 2037	<u>-</u>	<u>-</u>	<u>17,952</u>
Total	<u>\$ 3,568</u>	<u>\$ 19,005</u>	<u>\$316,751</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Jackson Redevelopment Authority (Parking Facility Revenues)

<u>Fiscal Year</u>	<u>Jackson Redevelopment Authority Urban Renewal Bonds</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2008	\$ 35	\$ 610	\$ 645
2009	-	-	-
Total	<u>\$ 35</u>	<u>\$ 610</u>	<u>\$ 645</u>

Pursuant to a long-term lease agreement between the City and JRA dated May 1, 1980, the City agreed to pay certain basic rentals to JRA related to JRA's Urban Renewal Parking Facility Bonds. The City's requirement to pay rentals under the lease is limited to the amount sufficient to pay principal and interest on the bonds, reduced by the amounts accruing to JRA from operations of the facility and bond reserve accounts provided for such purposes. During 2007 funds were not needed from the City's General Fund for interest maturities.

Jackson Redevelopment Authority (Urban Renewal Project Revenues)

<u>Fiscal Year</u>	<u>Jackson Redevelopment Authority Notes Payable, Urban Renewal Notes and Bonds</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2008	\$ 1,160	\$ 2,645	\$ 3,805
2009	949	7,240	8,189
2010	732	2,865	3,597
2011	604	3,030	3,634
2012	455	2,730	3,185
2013 – 2017	1,244	5,630	6,874
2018 – 2022	573	1,990	2,563
2023 – 2027	88	905	993
2028 – 2032	-	-	-
Total	<u>\$ 5,805</u>	<u>\$ 27,035</u>	<u>\$ 32,840</u>

There are a number of requirements contained in various revenue bond ordinances. The City is in compliance with all significant requirements.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

9. Annual Maturities Requirements

The annual requirements to amortize all debt outstanding for the City and the component unit as of September 30, 2007, including interest of \$70,269 for the component unit are as follows (in thousands of dollars):

<u>Fiscal Year</u>	<u>City of Jackson</u>	<u>Jackson Redevelopment Authority</u>
2008	\$ 40,697	\$ 5,696
2009	33,789	9,437
2010	27,221	4,707
2011	25,129	4,741
2012	23,345	4,788
2013 and thereafter	<u>390,573</u>	<u>10,430</u>
 Total	 <u>\$ 540,754</u>	 <u>\$ 39,799</u>

10. Industrial Revenue Bonds

Long-term debt does not include amounts for Industrial Revenue Bonds issued under authority of Section 57-3-1 through Section 57-3-33 of the Mississippi Code of 1972, as annotated. Industrial Revenue Bonds are issued to provide funds for direct financing leases to aid industries which manufacture, process, or assemble agricultural or manufactured products or any industry engaged in storing or warehousing products of agriculture, mining, or industry. These leases are administered by trustees with terms that provide for transfer of title of property after all bonds are paid in full.

Bonds issued under provisions of the above-mentioned law do not constitute an indebtedness of the municipality within the meaning of any state constitutional provision or limitation, or never give rise to the pecuniary liability of the municipality or a charge against its general credit or taxing powers, and such fact is plainly stated in the face of the bonds.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

<u>Fiscal Year</u>	<u>Industrial Revenue Bonds</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2008	1,280	3,650	4,930
2009	<u>1,280</u>	-	<u>1,280</u>
Total	<u>\$ 2,560</u>	<u>\$ 3,650</u>	<u>\$ 6,210</u>

11. Interest Rate Swap

On March 31, 2004, the City and the Mississippi Development Bank (collectively “the City”) executed a confirmation with RFPC, LLC (a subsidiary of Rice Financial Products Company) (the “2005 Swap Counterparty”), in connection with the execution of an Interest Rate Swap Agreement (the “2005 Swap Agreement”) in order to reduce the debt service costs associated with certain outstanding obligations of the City. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project) issued to fund certain water and sewer improvements for the City. The notional amount of the swap is \$49,105,000. The City received a savings pre-payment of \$236,349 from the 2004 Swap Counterparty.

Under the 2004 Swap Agreement the City receives a fixed rate from the 2004 Swap Counterparty, and in return pays a fixed rate less an Adjustment Factor. The Adjustment Factor exposes the City to changes in the ratio between the tax-exempt BMA Index and LIBOR. Payments on the swap are exchanged semiannually. The swap will become effective on April 1, 2005 and will terminate on April 1, 2024. An early termination of the swap transaction may result in the City making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2007, the fair market value of the transaction was a liability of (\$1,913,570) for the City, which is not recorded, in the financial statements.

Risks Associated with the 2005 Swap Agreement

Credit Risk – The City’s swap relies on the performance of the 2004 Swap Counterparty. The City is exposed to the risk that the 2004 Swap Counterparty is unable to fulfill its obligations to the City. The obligations of the 2004 Swap Counterparty to the City are guaranteed by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody’s Investors Service, Standard & Poor’s and Fitch, respectively.

Basis Risk – The City pays fixed rates on the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 4 – Detailed notes on all funds (Continued):

G. LONG-TERM DEBT (Continued):

Tax Risk – The City is exposed to changes in relationships between tax-exempt and taxable interest rates that may be affected by changes in the marginal tax rate, the elimination of tax preferences or other major changes to current tax law including, but not limited to, implementation of a flat tax or value-added tax.

Termination Risk – The 2004 Swap Agreement does not contain any extraordinary termination events or triggers that would expose the City to significant termination risk. If the 2004 Swap Counterparty fails to meet its obligations to the City, these obligations will be met by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody's Investors Service, Standard & Poor's and Fitch, respectively. If the third party guarantor suffers a loss of creditworthiness, the 2004 Swap Counterparty shall find an acceptable replacement guarantor. If such replacement guarantor is not available or if the City fails to meet its obligations to the 2004 Swap Counterparty, the termination provisions in the 2004 Swap Agreement will apply. The City may be liable for a payment equal to the fair market value of the swap if a termination occurs prior to April 1, 2024 and that fair market value is negative.

Note 5 – Other Information

A. RISK MANAGEMENT

1. Workers Compensation Benefits

The City maintains a self-funded workers compensation plan accounted for in the General Fund. Benefits paid to employees during fiscal year 2007 were \$1,812,731.

Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and includes provisions for estimated claims adjustment expenses.

2. Unemployment Benefits

The City also maintains an Employee Benefit Trust Fund established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at not less than 2% of the first \$7,000 paid each employee during the preceding year. As of September 30, 2007, the required amounts were funded. Claims totaled \$111,024 during fiscal year 2007. Estimates of the liability for unpaid claims are based on patterns of claims payments.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 5 – Other Information (Continued):

A. RISK MANAGEMENT (Continued):

3. Group Benefits

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service Fund) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employer medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$7,695,507 and employee benefit costs were \$11,296,717 during fiscal year 2007. Claims incurred but not reported at September 30, 2007, in the Employees' Group Benefit Fund are provided for in the fund balance of that fund based primarily upon an actuary's estimate.

4. Tort Liability

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which the City of Jackson may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, House Bill 417 established the Mississippi Tort Claims Board. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) Purchase of liability insurance, (2) Pooling of two or more municipalities or other political subdivision to purchase liability insurance or to self insure, (3) Self-insure with the establishment of a self-insurance reserve fund.

The City of Jackson is in compliance by using method number three as indicated above. The 2007 fiscal year budget had the monies necessary to establish the reserve fund at the required funding level. Estimates of the liability for unpaid claims are actuarially determined.

For the past three years, the settlement amount for claims against the City has not exceeded the amount of insurance coverage maintained by the City.

The following table provides a reconciliation of changes in the liabilities for claims for years ended September 30, 2007 and 2006:

	Employee Benefit Fund	Tort Claims	Unemployment Benefits Fund	Workers' Compensation Benefits
2007:				
Beginning Balance	\$ 587,358	\$ 2,517,565	\$ -	\$ 4,090,000
Current Year Claims / Changes in Estimates	11,296,717	520,860	111,024	1,812,731
Claims Payments	12,535,807	76,269	111,024	1,446,839
Ending Balance	<u>\$ 651,732</u>	<u>\$ 2,962,156</u>	<u>\$ -</u>	<u>\$ 4,455,892</u>
2006:				
Beginning Balance	\$ 547,858	\$ 2,600,000	\$ -	\$ 3,790,000
Current Year Claims / Changes in Estimates	11,966,399	71,003	165,473	1,982,212
Claims Payments	13,101,615	153,438	165,473	1,682,212
Ending Balance	<u>\$ 587,358</u>	<u>\$ 2,517,565</u>	<u>\$ -</u>	<u>\$ 4,090,000</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 5 – Other Information (Continued):

B. COMMITMENTS:

During fiscal year 1993, the City entered into a revolving loan agreement with the Department of Environmental Quality (DEQ) for loans to the Jackson Water/Sewage Disposal System Fund. The City has pledged sales tax reimbursements from the State of Mississippi to repay the DEQ loans. The outstanding balance of the revolving loans at September 30, 2007, was \$19,005,221.

C. CONTINGENT LIABILITIES:

Litigation

The City is defendant in a number of legal actions seeking actual and punitive damages. Contingencies totaling \$2,962,156 for which it is probable a loss has been incurred and are subject to reasonable estimation are recognized in the financial statements in the governmental funds. An additional \$1,400,000 has been designated for contingencies relating to litigation for which the outcome is uncertain. The City is vigorously defending all matters of litigation and believes there will be no material adverse financial effect.

D. JOINT VENTURES

The following provides the summary financial information of the Jackson/Hinds Library System as of September 30, 2007 (in thousands of dollars):

<u>Jackson/Hinds Library System</u>	
Total assets	<u>\$ 1,472</u>
Total liabilities	<u>\$ 193</u>
Total fund equity	<u>\$ 1,279</u>
Total revenues	<u>\$ 4,035</u> (1)
Total expenditures	<u>\$ 4,009</u>
Net increase (decrease) in fund balance	<u>\$ 26</u>
Total debt	<u>\$ -</u>

(1) The percentage share of the joint venture applicable to the City of Jackson is fifty percent (50%).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 5 – Other Information (Continued):

E. EMPLOYEES' RETIREMENT SYSTEM:

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer, cost-sharing pension plan and an agent multi-employer pension plan as described below:

Public Employees' Retirement System

1. Plan Description and Provisions

Substantially all City of Jackson full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Section 21-29-201 of the Mississippi Code of 1942 as annotated, and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City of Jackson is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Annual Pension Cost. For 2007, the City's annual pension cost of \$3,403,306 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2006, actuarial valuation using the entry age actuarial cost method. PERS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2007 was 27 years.

Three-Year Trend Information for PERS
(Dollar amounts in Thousands)

Fiscal Year <u>Funding</u>	Annual Pension Cost (APC)	Percentage Of APC <u>Contributed</u>
9/30/05	\$ 7,097	100%
9/30/06	7,340	100%
9/30/07	7,696	100%

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 5 – Other Information (Continued):

E. EMPLOYEES' RETIREMENT SYSTEM (Continued):

Disability and Relief- Municipal Retirement Systems Pension Plan

1. Plan Description

The City of Jackson contributes to the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. The City's uniformed police officers and firefighters employed prior to April 1, 1976, participate in MRS. Firefighters and police officers employed subsequent to April 1, 1976, are members of the Public Employees' Retirement System of the State as previously described. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Legislation may be amended only by the State of Mississippi Legislature. At September 30, 2005, the date of the most recent actuarial verification, there were 11 participating municipal employers and 712 retired participants and beneficiaries currently receiving benefits. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Basis of Accounting

MRS uses the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed, investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments for MRS are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit rating. Mortgage securities are valued on the basis of future principal and interest payments and counted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates market or fair value. For individual investments where no readily ascertainable market value exists, the Public Employees' Retirement System, in consultation with their investment advisors and custodial bank, has determined the fair values.

3. Funding Status and Progress

The actuarial accrued liability is a measure intended to (i) help users assess the plan's funding status on a going-concern basis, and (ii) assess progress being made in accumulating sufficient assets to pay benefits when due. For the years ending September 30, 1994, and prior, the actuarial value of assets was equal to book value. Beginning with the September 30, 1995, actuarial valuation, the actuarial value of assets will be determined on a market related basis that recognizes 20% of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the system's annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 5 – Other Information (Continued):

E. EMPLOYEES' RETIREMENT SYSTEM (continued):

4. Annual Pension Cost and Net Pension Asset

In prior years, the City had not presented the asset resulting from the 1997 contribution of bond proceeds to fund the actuarial accrued liability for the plan. In 2007, pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the City calculated its net pension obligation. The net pension obligation or asset represents the cumulative difference since the effective date of the statement between City's annual pension cost calculated pursuant to GASB 27 and the employer's contribution to the plan, including the pension liability or asset at transition. For purposes of transition, funding deficiencies which occurred prior to October 1, 1987 are not required to be considered but to do so is acceptable. However, information on fiscal years prior to October 1, 1987 is not available although considerable funding deficiencies occurred to that point. As a result of the transition rules under GASB Statement No. 27, the net pension obligation is considerably less than if the calculation were made considering all applicable years of the plan. Consequently, although the City has an unfunded actuarial accrued liability of \$37,400 as of September 30, 2007, the City has recorded a net pension asset of \$22,154 in the accompanying government wide statements in the governmental activities.

In adopting GASB Statement No 27, the City has increased net assets – beginning of year in the government wide financial statements of governmental activities by \$25,595 to recognize the net pension asset calculated under GASB 27.

The City's annual pension cost and net pension asset for the current year calculated pursuant to GASB 27 is as follows:

Annual required pension contribution	\$ (3,403)
Interest on net pension asset	2,048
Adjustments to annual required contribution	<u>(2,341)</u>
Annual pension cost	(3,696)
Contributions made	<u>255</u>
Decrease in net pension asset	(3,441)
Net pension asset beginning of year	<u>25,595</u>
Net pension asset end of year	<u>\$ 22,154</u>

As the result of the issuance of \$49,790 of general obligation bonds in 1997, the City's contribution to the plan has been limited since that date to matching contributions on employee withholdings. Since 2001, the City's unfunded actuarial accrued liability related to MRS has grown considerably and the annual required contribution for fiscal 2008 is projected to be approximately \$3,403. The City's plans are to continue the present contribution level to the plan through fiscal 2009. At that point the 1997 general obligation bonds will have been retired and tax millage presently used for bond payments amounting to approximately \$6,000 will be diverted toward making annual contributions to the plan. Projections of cash flow for the plan indicate contributions of approximately \$ 6,000 in 2009 and growing to approximately \$7,200 through 2019 will be necessary to meet the City's obligations under the plan.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 5 – Other Information (Continued):

E. EMPLOYEES’ RETIREMENT SYSTEM (continued):

In 1997, the City issued \$49,790,000 of General Obligation Bonds and contributed the proceeds to the MRS plan to provide for a similar reduction in the unfunded actuarial accrued liability. As a result of this contribution, the City has not recognized a net pension obligation (NPO) in its financial statements.

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the system (but not used for funding purposes) as of September 30, 2007. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 1% per year compounded annually, attributable to seniority/merit. At September 30, 2007, the unfunded actuarial accrued liability was determined as follows:

<u>Actuarial Accrued Liability</u>	<u>(In Thousands of Dollars)</u>
Retirees and beneficiaries currently receiving benefits	\$133,936
Active members	1,615
Vested terminated members not yet receiving benefits	<u> -</u>
Total actuarial accrued liability	135,551
Actuarial Value of Assets	<u>98,151</u>
Unfunded actuarial accrued liability	<u>\$ 37,400</u>

During the year ended September 30, 2007 the plan experienced an estimated net change of \$(2,940) in the Actuarial Accrued Liability.

5. Contributions Required and Contributions Made

The funding policy for MRS provides for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. In developing the annual required contribution shown below, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on an open basis as a level dollar amount over a period of 40 years. The City’s active MRS members contribute ten percent of their base salaries to the plan. This difference has historically resulted in the actual contribution being less than the annual required contribution.

During the year ended September 30, 2007, contributions totaling approximately \$254,851 (\$222,820 employer and \$26,031 employee) were made in accordance with contribution requirements determined by the actuarial valuation of the system as of September 30, 2006. The employer contributions consisted of approximately \$44,687 for normal cost and administrative expenses and \$184,133 for amortization of the unfunded actuarial accrued liability. In addition to the above contributions, the City has levied a special tax for the retirement of bonds issued to provide funding for City’s pension obligation for the year ended September 30, 2007. This consisted of 5.56 mills on property valuation used to pay debt service of \$6,592,390.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2007

Note 5 – Other Information (Continued):

E. EMPLOYEES' RETIREMENT SYSTEM (continued):

5. Contributions Required and Contributions Made (Continued):

Three-Year Trend Information for MRS
(Dollar amounts in Thousands)

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/05	\$ 2,527	8.8%	28,973
9/30/06	3,613	6.5%	25,596
9/30/07	3,403	6.9%	22,154

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSON
Required Supplementary Information
Employees' Retirement Systems
Schedule of Funding Progress
September 30, 2007

DISABILITY AND RELIEF - MUNICIPAL RETIREMENT SYSTEMS PENSION PLAN

(Dollar amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunde d AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentag e Of Covered Payroll [(b-a)/c]
9/30/2005	107,549	141,291	33,742	76.1	354	9,531.6
9/30/2006	101,878	138,491	36,613	73.6	319	11,477.4
9/30/2007	98,151	135,551	37,400	72.4	222	16,846.8

NON-MAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds

Special Revenue Funds

Parks and Recreation Fund

To account for the operation and maintenance of all City-owned parks. Financing is provided by a 2-Mill annual property tax levy, admissions, fees and concessions. Appropriations are made from General Fund sources to the extent that such tax levy and other revenues are not sufficient to finance expenditures.

Federal Grant Fund

To account for proceeds of various federal grant programs other than those grants for Enterprise Fund or Capital Projects Fund items.

State Grant Fund

To account for proceeds of state grants or loans other than those grant or loans for Enterprise Fund or Capital Projects Fund items.

Disability and Relief Fund

To account for the receipt of revenues, principally tax levies, and payments of bond principal and interest related to bonds issued to provide reductions in the accrued actual liability related to pensions of retired and disabled police and firemen employed prior to April 1, 1976.

Capital Projects Funds

Industrial Park Bond Fund, 1982-A

To account for proceeds of general obligation bonds of \$3,000,000 to establish an industrial park.

Industrial Park Bond Fund, 1986-A

To account for proceeds of general obligation bonds of \$4,500,000 for public works improvements in an industrial park.

1988 Construction Bond Fund

To account for proceeds of general obligation bonds of \$43,325,000 issued to finance certain projects including constructing and improving streets, storm drainage systems, parks and municipal buildings, and purchasing fire fighting equipment.

Special Assessment Bond Fund 1992

To account for proceeds of general obligation bonds of \$1,425,000 issued to finance certain street improvements and other improvements and related facilities.

G.O. Capital Improvement Fund 1994

To account for proceeds of general obligation bonds of \$7,850,000 issued to finance the improvement and extension of the storm drainage system of the city, the construction, improvement or paving of streets, sidewalks and walkways and the purchase of land therefore and the purchase of firefighting equipment and apparatus, the construction of housing for the same and the purchase of land there

1996 Tax Increment Limited Obligation Metro Station Construction

To account for proceeds of general obligation bonds of \$1,650,000 issued to finance the costs of constructing various infrastructure improvements including, but not limited to, the construction and reconstruction of streets and utilities and the acquisition of land in connection therewith and other cost incidental to the construction.

**City of Jackson
Combining Balance Sheet
Nonmajor Governmental Funds
As of September 30, 2007**

Special Revenue

	Parks and Recreation	Federal Grant	State Grant	Disability and Relief	Total
ASSETS					
Cash and Cash Equivalent	\$ 947,929	\$ 876,661	\$ -	\$ 176,746	\$ 2,001,336
Accounts Receivable	-	-	-	17,344	17,344
Other Receivable	2,112,542	-	-	5,860,289	7,972,831
Intergovernmental Receivable	923	1,855,163	644,165	-	2,500,251
Total Current Asset	<u>\$3,061,394</u>	<u>\$ 2,731,824</u>	<u>\$ 644,165</u>	<u>\$6,054,379</u>	<u>\$12,491,762</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 61,434	\$ 1,154,599	\$ 694,917	\$ -	\$ 1,910,950
Unearned Revenue	2,112,542	954,968	721	5,877,633	8,945,864
Other Liabilities	10,326	79,801	-	-	90,127
Due to other funds	-	200,000	10,838	-	210,838
Total liabilities	<u>2,184,302</u>	<u>2,389,368</u>	<u>706,476</u>	<u>5,877,633</u>	<u>11,157,779</u>
FUND BALANCES					
Unrestricted	877,092	342,456	(62,311)	176,746	1,333,983
Total fund balances	<u>877,092</u>	<u>342,456</u>	<u>(62,311)</u>	<u>176,746</u>	<u>1,333,983</u>
Total Liabilities and Fund balance	<u>\$3,061,394</u>	<u>\$ 2,731,824</u>	<u>\$ 644,165</u>	<u>\$6,054,379</u>	<u>\$12,491,762</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects

1982 Industrial Park Bond	1986 Industrial Park Bond	1988 Construction Bond	1992 Special Assessment Bond	1994 GO Bond Capital Improvement	1996 Metro Station	Total	Total Nonmajor Governmental Funds
\$ 46,083	\$ -	\$ 9,382	\$ -	\$ 54,367	\$ 11,416	\$ 121,248	\$ 2,122,584
-	-	-	-	-	-	-	17,344
-	-	-	-	-	-	-	7,972,831
-	-	-	-	-	-	-	2,500,251
<u>\$ 46,083</u>	<u>\$ -</u>	<u>\$ 9,382</u>	<u>\$ -</u>	<u>\$ 54,367</u>	<u>\$ 11,416</u>	<u>\$ 121,248</u>	<u>\$ 12,613,010</u>
\$ -	\$ -	\$ 270	\$ -	\$ 13,838	\$ -	\$ 14,108	\$ 1,925,058
-	-	-	-	-	-	-	8,945,864
-	-	-	-	-	-	-	90,127
-	-	-	-	-	-	-	210,838
-	-	270	-	13,838	-	14,108	11,171,887
46,083	-	9,112	-	40,529	11,416	107,140	1,441,123
<u>46,083</u>	<u>-</u>	<u>9,112</u>	<u>-</u>	<u>40,529</u>	<u>11,416</u>	<u>107,140</u>	<u>1,441,123</u>
<u>\$ 46,083</u>	<u>\$ -</u>	<u>\$ 9,382</u>	<u>\$ -</u>	<u>\$ 54,367</u>	<u>\$ 11,416</u>	<u>\$ 121,248</u>	<u>\$ 12,613,010</u>

City of Jackson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended September 30, 2007

	<u>Special Revenue</u>				
	<u>Parks and Recreation</u>	<u>Federal Grant</u>	<u>State Grant</u>	<u>Disability and Relief</u>	<u>Total</u>
REVENUES					
General property taxes	\$2,143,674	\$ -	\$ -	\$ 5,976,192	\$ 8,119,866
Intergovernmental	142,729	8,829,901	828,522	184,328	9,985,480
Admissions, fees, rentals and concessions	357,782	-	-	820	358,602
Interest	19,287	34,352	1,240	57,681	112,560
Other	-	248,364	-	11,152	259,516
Total revenues	<u>2,663,472</u>	<u>9,112,617</u>	<u>829,762</u>	<u>6,230,173</u>	<u>18,836,024</u>
EXPENDITURES					
Current Operations:					
Personnel Services	3,703,811	3,286,409	46,959	-	7,037,179
Supplies	654,651	942,320	161,768	-	1,758,739
Other Services and Charges	1,139,270	4,677,729	342,006	149,489	6,308,494
Capital Outlay	274,766	933,087	282,064	-	1,489,917
Debt Service:					
Principal	-	-	-	5,420,000	5,420,000
Interest and service charges	-	-	-	1,173,394	1,173,394
Total expenditures	<u>5,772,498</u>	<u>9,839,545</u>	<u>832,797</u>	<u>6,742,883</u>	<u>23,187,723</u>
Excess (deficiency) of revenues over expenditures	<u>(3,109,026)</u>	<u>(726,928)</u>	<u>(3,035)</u>	<u>(512,710)</u>	<u>(4,351,699)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in:					
General Fund	3,818,160	832,458	3,872	289,826	4,944,316
Transfers out:					
Debt Service	-	-	-	-	-
Total other financing sources (uses)	<u>3,818,160</u>	<u>832,458</u>	<u>3,872</u>	<u>289,826</u>	<u>4,944,316</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	709,134	105,530	837	(222,884)	592,617
Fund balances at beginning of year	<u>167,958</u>	<u>236,926</u>	<u>(63,148)</u>	<u>399,630</u>	<u>741,366</u>
Fund balances at end of year	<u>\$ 877,092</u>	<u>\$ 342,456</u>	<u>\$ (62,311)</u>	<u>\$ 176,746</u>	<u>\$ 1,333,983</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects

1992							Total Nonmajor Governmental Funds
1982 Industrial Park Bond	1986 Industrial Park Bond	1988 Construction Bond	Special Assesment Bond	1994 GO Bond Capital Improvement	1996 Metro Station	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,119,866
-	-	-	-	-	-	-	9,985,480
-	-	-	-	-	-	-	358,602
1,735	-	681	-	15,794	-	18,210	130,770
-	-	-	-	-	-	-	259,516
<u>1,735</u>	<u>-</u>	<u>681</u>	<u>-</u>	<u>15,794</u>	<u>-</u>	<u>18,210</u>	<u>18,854,234</u>
-	-	-	-	-	-	-	7,037,179
-	-	-	-	-	-	-	1,758,739
8,000	-	46,138	-	94,862	-	149,000	6,457,494
-	-	-	-	-	-	-	1,489,917
-	-	-	-	-	-	-	5,420,000
-	-	-	-	-	-	-	1,173,394
<u>8,000</u>	<u>-</u>	<u>46,138</u>	<u>-</u>	<u>94,862</u>	<u>-</u>	<u>149,000</u>	<u>23,336,723</u>
<u>(6,265)</u>	<u>-</u>	<u>(45,457)</u>	<u>-</u>	<u>(79,068)</u>	<u>-</u>	<u>(130,790)</u>	<u>(4,482,489)</u>
-	-	-	-	-	-	-	4,944,316
-	(1,732)	-	(1,948)	-	-	(3,680)	(3,680)
<u>-</u>	<u>(1,732)</u>	<u>-</u>	<u>(1,948)</u>	<u>-</u>	<u>-</u>	<u>(3,680)</u>	<u>4,940,636</u>
(6,265)	(1,732)	(45,457)	(1,948)	(79,068)	-	(134,470)	458,147
<u>52,348</u>	<u>1,732</u>	<u>54,569</u>	<u>1,948</u>	<u>119,597</u>	<u>11,416</u>	<u>241,610</u>	<u>982,976</u>
<u>\$ 46,083</u>	<u>\$ -</u>	<u>\$ 9,112</u>	<u>\$ -</u>	<u>\$ 40,529</u>	<u>\$ 11,416</u>	<u>\$107,140</u>	<u>\$ 1,441,123</u>

City of Jackson
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes				
Current realty taxes	\$ 5,647,428	\$ 5,704,472	\$ 5,703,263	\$ (1,209)
Current personal taxes	2,928,226	2,957,813	3,044,031	86,218
Delinquent taxes	-	80,000	53,181	(26,819)
Automobile ad valorem taxes	1,374,330	1,374,330	1,432,286	57,956
Homestead exemption	324,000	324,000	317,016	(6,984)
Intergovernmental	-	2,453,433	2,704,637	251,204
Interest	1,500	26,500	215,026	188,526
Special assessments	-	-	13,612	13,612
Other revenues	224,363	224,363	789,774	565,411
Total revenues	<u>10,499,847</u>	<u>13,144,911</u>	<u>14,272,826</u>	<u>1,127,915</u>
EXPENDITURES				
General obligation bonds				
Principal	8,215,000	8,215,000	8,215,000	-
Interest	2,652,128	5,105,561	5,105,028	533
Bank service charge	9,492	46,989	5,166	41,823
Tilo 96 Metro Station Bond Funds				
Principal	195,000	195,000	195,000	-
Interest	29,363	29,363	29,363	-
Bank service charge	1,500	1,500	1,500	-
Total expenditures	<u>11,102,483</u>	<u>13,593,413</u>	<u>13,551,057</u>	<u>42,356</u>
Deficiency of revenues over (under) expenditures	(602,636)	(448,502)	721,769	(1,170,271)
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	-	270,842	270,842
Total other financing sources (uses)	<u>500,000</u>	<u>-</u>	<u>270,842</u>	<u>270,842</u>
Net change in fund balances	(102,636)	(448,502)	992,611	(1,441,113)
Fund balances at beginning of year	<u>1,528,649</u>	<u>1,528,649</u>	<u>1,528,649</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,426,013</u>	<u>\$ 1,080,147</u>	<u>\$ 2,521,260</u>	<u>\$ (1,441,113)</u>

City of Jackson
Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 1,070,000	\$ 1,070,000	\$ 1,013,444	\$ (56,556)
Intergovernmental Revenue	5,370,245	3,787,245	604,878	(3,182,367)
Interest	-	-	128,346	128,346
Total revenues	<u>6,440,245</u>	<u>4,857,245</u>	<u>1,746,668</u>	<u>(3,110,577)</u>
EXPENDITURES				
Current Operations				
Personnel services	-	-	11,940	(11,940)
Supplies	10	489,496	356,331	133,165
Other Services and Charges	8,300,384	10,135,766	2,880,822	7,254,944
Capital Outlay	1,696	1,696	-	1,696
Total expenditures	<u>8,302,090</u>	<u>10,626,958</u>	<u>3,249,093</u>	<u>7,377,865</u>
Deficiency of revenues over (under) expenditures	(1,861,845)	(5,769,713)	(1,502,425)	(4,267,288)
OTHER FINANCING SOURCES(USES)				
Transfers in	1,033,037	1,459,690	1,350,000	(109,690)
Transfers out	-	-	(258,167)	(258,167)
Proceeds from long term debt	-	2,420,000	185,797	2,234,203
Total other financing sources and uses	<u>1,033,037</u>	<u>3,879,690</u>	<u>1,277,630</u>	<u>2,602,060</u>
Net change in fund balances	(828,808)	(1,890,023)	(224,795)	(1,665,228)
Fund balances at beginning of year	4,052,894	4,052,894	4,052,894	-
Fund balances at end of year	<u>\$ 3,224,086</u>	<u>\$ 2,162,871</u>	<u>\$ 3,828,099</u>	<u>\$ (1,665,228)</u>

City of Jackson
1998 GO Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental Revenue	\$ -	\$ -	\$ 14,628	\$ 14,628
Interest	201,714	201,714	118,356	(83,358)
Total revenues	<u>201,714</u>	<u>201,714</u>	<u>132,984</u>	<u>(68,730)</u>
EXPENDITURES				
Current Operations				
Personnel services	20,000	-	-	-
Supplies	717	217	-	217
Other services and charges	<u>3,399,677</u>	<u>2,993,125</u>	<u>1,457,615</u>	<u>1,535,510</u>
Total expenditures	<u>3,420,394</u>	<u>2,993,342</u>	<u>1,457,615</u>	<u>1,535,727</u>
Deficiency of revenues over (under) expenditures	<u>(3,218,680)</u>	<u>(2,791,628)</u>	<u>(1,324,631)</u>	<u>1,466,997</u>
Net change in fund balances	(3,218,680)	(2,791,628)	(1,324,631)	1,466,997
Fund balances at beginning of year	<u>3,224,650</u>	<u>3,224,650</u>	<u>3,224,650</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,970</u>	<u>\$ 433,022</u>	<u>\$1,900,019</u>	<u>\$ 1,466,997</u>

City of Jackson
2003 GO Public Improvement Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 1,954,986	\$ 7,995,411	\$ 116,358	\$ (7,879,053)
Interest	200,000	200,000	413,849	213,849
Total revenues	<u>2,154,986</u>	<u>8,195,411</u>	<u>530,207</u>	<u>(7,665,204)</u>
EXPENDITURES				
Current Operations				
Personnel services	-	-	3,380	(3,380)
Supplies	-	41,434	-	41,434
Other services and charges	40,000	40,000	1,264,420	(1,224,420)
Capital outlay	<u>10,925,173</u>	<u>16,668,219</u>	<u>-</u>	<u>16,668,219</u>
Total expenditures	<u>10,965,173</u>	<u>16,749,653</u>	<u>1,267,800</u>	<u>15,481,853</u>
Deficiency of revenues over (under) expenditures	<u>(8,810,187)</u>	<u>(8,554,242)</u>	<u>(737,593)</u>	<u>7,816,649</u>
Net change in fund balances	<u>(8,810,187)</u>	<u>(8,554,242)</u>	<u>(737,593)</u>	<u>7,816,649</u>
Fund balances at beginning of year	<u>8,597,105</u>	<u>8,597,105</u>	<u>8,597,105</u>	<u>-</u>
Fund balances at end of year	<u>\$ (213,082)</u>	<u>\$ 42,863</u>	<u>\$ 7,859,512</u>	<u>\$ 7,816,649</u>

City of Jackson
Parks and Recreation Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2007

	<u>Budget Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 2,112,300	\$ 2,135,494	\$ 2,143,674	\$ 8,180
Intergovernmental	185,974	142,935	142,729	(206)
Admissions, fees, rentals and concessions	416,194	355,444	357,782	2,338
Interest	8,000	22,810	19,287	(3,523)
Other	320,100	957	-	(957)
Total revenues	<u>3,042,568</u>	<u>2,657,640</u>	<u>2,663,472</u>	<u>5,832</u>
EXPENDITURES				
Current Operations:				
Personnel Services	4,244,079	4,018,223	3,703,811	314,412
Supplies	893,228	890,681	654,651	236,030
Other Services and Charges	1,340,273	1,292,895	1,139,270	153,625
Capital Outlay	363,988	356,693	274,766	81,927
Total expenditures	<u>6,841,568</u>	<u>6,558,492</u>	<u>5,772,498</u>	<u>785,994</u>
Excess (deficiency) of revenues over expenditures	<u>(3,799,000)</u>	<u>(3,900,852)</u>	<u>(3,109,026)</u>	<u>791,826</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	3,755,000	3,818,160	3,818,160	-
Total other financing sources (uses)	<u>3,755,000</u>	<u>3,818,160</u>	<u>3,818,160</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(44,000)	(82,692)	709,134	791,826
Fund balances at beginning of year	167,958	167,958	167,958	-
Fund balances at end of year	<u>\$ 123,958</u>	<u>\$ 85,266</u>	<u>\$ 877,092</u>	<u>\$ 791,826</u>

City of Jackson
Federal Grants Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2007

	<u>Budget Amount</u>		<u>Actuals Amounts</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$20,927,873	\$ 20,706,943	\$ 8,829,901	\$ (11,877,042)
Interest	9,923	16,009	34,352	18,343
Other	186,000	191,225	248,364	57,139
Total revenues	<u>21,123,796</u>	<u>20,914,177</u>	<u>9,112,617</u>	<u>(11,801,560)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	3,570,087	3,752,056	3,286,409	465,647
Supplies	718,962	1,283,362	942,320	341,042
Other Services and Charges	14,388,038	13,449,364	4,677,729	8,771,635
Capital Outlay	3,397,257	3,365,159	933,087	2,432,072
Total expenditures	<u>22,074,344</u>	<u>21,849,941</u>	<u>9,839,545</u>	<u>12,010,396</u>
Excess (deficiency) of revenues over expenditures	<u>(950,548)</u>	<u>(935,764)</u>	<u>(726,928)</u>	<u>(208,836)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	788,273	775,098	832,458	57,360
Total other financing sources (uses)	<u>788,273</u>	<u>775,098</u>	<u>832,458</u>	<u>57,360</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(162,275)	(160,666)	105,530	(151,476)
Fund balances at beginning of year	<u>236,926</u>	<u>236,926</u>	<u>236,926</u>	<u>-</u>
Fund balances at end of year	<u>\$ 74,651</u>	<u>\$ 76,260</u>	<u>\$ 342,456</u>	<u>\$ (151,476)</u>

City of Jackson
State Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2007

	<u>Budget Amount</u>		<u>Actual Amount</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,679,458	\$ 1,858,915	\$ 828,522	(1,030,393)
Interest	-	-	1,240	1,240
Total revenues	<u>1,679,458</u>	<u>1,858,915</u>	<u>829,762</u>	<u>(1,029,153)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	301,670	309,094	46,959	262,135
Supplies	75,580	214,910	161,768	53,142
Other Services and Charges	341,133	573,377	342,006	231,371
Capital Outlay	<u>987,721</u>	<u>788,180</u>	<u>282,064</u>	<u>506,116</u>
Total expenditures	<u>1,706,104</u>	<u>1,885,561</u>	<u>832,797</u>	<u>1,052,764</u>
Excess (deficiency) of revenues over expenditures	<u>(26,646)</u>	<u>(26,646)</u>	<u>(3,035)</u>	<u>23,611</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	<u>26,646</u>	<u>26,646</u>	<u>3,872</u>	<u>(22,774)</u>
Total other financing sources (uses)	<u>26,646</u>	<u>26,646</u>	<u>3,872</u>	<u>(22,774)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	-	837	837
Fund balances at beginning of year	<u>(63,148)</u>	<u>(63,148)</u>	<u>(63,148)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (63,148)</u>	<u>\$ (63,148)</u>	<u>\$ (62,311)</u>	<u>\$ 837</u>

City of Jackson
Disability and Relief Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2007

	<u>Budget Amount</u>		<u>Actual Amount</u>	<u>Variance with Final Budget - positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 5,836,474	\$ 5,836,474	\$ 5,976,192	\$ 139,718
Intergovernmental	189,790	189,790	184,328	(5,462)
Admissions, fees, rentals and concessions	400	400	820	420
Interest	35,000	35,000	57,681	22,681
Other	60,000	60,000	11,152	(48,848)
Total revenues	<u>6,121,664</u>	<u>6,121,664</u>	<u>6,230,173</u>	<u>108,509</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	180,000	180,000	149,489	30,511
Debt Service:				
Principal	5,420,000	5,420,000	5,420,000	-
Interest and service charges	1,173,490	1,173,490	1,173,394	96
Total expenditures	<u>6,773,490</u>	<u>6,773,490</u>	<u>6,742,883</u>	<u>30,607</u>
Excess (deficiency) of revenues over expenditures	<u>(651,826)</u>	<u>(651,826)</u>	<u>(512,710)</u>	<u>(139,116)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in:				
General Fund	289,826	289,826	289,826	-
Total other financing sources (uses)	<u>289,826</u>	<u>289,826</u>	<u>289,826</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(362,000)	(362,000)	(222,884)	(139,116)
Fund balances at beginning of year	<u>399,630</u>	<u>399,630</u>	<u>399,630</u>	<u>-</u>
Fund balances at end of year	<u>\$ 37,630</u>	<u>\$ 37,630</u>	<u>\$ 176,746</u>	<u>\$ (139,116)</u>

City of Jackson
1982 Industrial Park Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 1,735	\$ 1,735
Total revenues	-	-	1,735	1,735
EXPENDITURES				
Current Operations:				
Other Services and Charges	-	50,000	8,000	42,000
Total expenditures	-	50,000	8,000	42,000
Deficiency of revenues over (under) expenditures	-	(50,000)	(6,265)	43,735
Net change in fund balances	-	(50,000)	(6,265)	43,735
Fund balances at beginning of year	52,348	52,348	52,348	-
Fund balances at end of year	<u>\$ 52,348</u>	<u>\$ 2,348</u>	<u>\$ 46,083</u>	<u>\$ 43,735</u>

City of Jackson
1994 GO Bond Capital Improvement Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 15,794	\$ 15,794
Total revenues	<u>-</u>	<u>-</u>	<u>15,794</u>	<u>15,794</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	-	118,080	94,862	23,218
Total expenditures	<u>-</u>	<u>118,080</u>	<u>94,862</u>	<u>23,218</u>
Deficiency of revenues over (under) expenditures	<u>-</u>	<u>(118,080)</u>	<u>(79,068)</u>	<u>39,012</u>
Net change in fund balances	-	(118,080)	(79,068)	39,012
Fund balances at beginning of year	<u>119,597</u>	<u>115,597</u>	<u>119,597</u>	<u>-</u>
Fund balances at end of year	<u>\$ 119,597</u>	<u>\$ (2,483)</u>	<u>\$ 40,529</u>	<u>\$ 39,012</u>

City of Jackson
1988 Construction Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 681	\$ 681
Total revenues	<u>-</u>	<u>-</u>	<u>681</u>	<u>681</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	<u>-</u>	<u>-</u>	<u>46,138</u>	<u>(46,138)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>46,138</u>	<u>(46,138)</u>
Deficiency of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(45,457)</u>	<u>(45,457)</u>
Net change in fund balances	-	-	(45,457)	(45,457)
Fund balances at beginning of year	<u>54,569</u>	<u>54,569</u>	<u>54,569</u>	<u>-</u>
Fund balances at end of year	<u>\$ 54,569</u>	<u>\$ 54,569</u>	<u>\$ 9,112</u>	<u>\$ (45,457)</u>

NON-MAJOR ENTERPRISE FUNDS

Nonmajor Proprietary

Madison Sewage Disposal System Fund

To account for costs of construction, operation and maintenance of the East Madison County Sewage Disposal System. The City of Ridgeland, Mississippi, will be responsible for the service contracts with other entities within Madison County participating in the system.

Transportation Fund

To account for the operational costs of the City's transit system. Deficiencies in revenues over expenses are financed by the City.

City of Jackson
Statement of Net Assets
Proprietary Funds - Nonmajor Funds
As of September 30, 2007

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalent	\$ -	\$ -	\$ -
Intergovernmental Receivable	-	2,345,509	2,345,509
Total Current Asset	-	2,345,509	2,345,509
Property, Plant and Equipment, at Cost			
Land	-	450,000	450,000
Buildings	-	1,681,851	1,681,851
Water plant, distribution system and equipment	453,844	410,690	864,534
Automotive and other equipment	-	13,079,302	13,079,302
	453,844	15,621,843	16,075,687
Less: accumulated depreciation	(158,376)	(9,964,946)	(10,123,322)
	295,468	5,656,897	5,952,365
Construction in progress	13,800	-	13,800
Net property, plant and equipment	309,268	5,656,897	5,966,165
Total Assets	\$ 309,268	\$ 8,002,406	\$ 8,311,674

City of Jackson
Statement of Net Assets
Proprietary Funds - Nonmajor Funds
As of September 30, 2007

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Totals</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 7,991	\$ 130,747	\$ 138,738
Due to other funds	-	4,070,367	4,070,367
Current portion of long term debt:			
Lease Obligations	-	176,792	176,792
Total current liabilities	<u>7,991</u>	<u>4,377,906</u>	<u>4,385,897</u>
Long Term Debt (less amounts classified as current liabilities):			
Lease obligation	-	418,976	418,976
Total long-term debt	-	418,976	418,976
Total liabilities	<u>7,991</u>	<u>4,796,882</u>	<u>4,804,873</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	309,268	5,061,129	5,370,397
Unrestricted	<u>(7,991)</u>	<u>(1,855,605)</u>	<u>(1,863,596)</u>
Total Net Assets	<u>301,277</u>	<u>3,205,524</u>	<u>3,506,801</u>
Total liabilities and net assets	<u>\$ 309,268</u>	<u>\$ 8,002,406</u>	<u>\$ 8,311,674</u>

City of Jackson
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds - Nonmajor Funds
For the Year Ended September 30, 2007

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Totals</u>
Operating Revenues:			
Sales to Customers	\$ -	\$ 426,012	\$ 426,012
Other Revenue	-	914,558	914,558
	<u>-</u>	<u>1,340,570</u>	<u>1,340,570</u>
Operating Expenses:			
Personnel Services	27,437	143,641	171,078
Supplies	-	490,368	490,368
Other services and charges	66,244	5,357,898	5,424,142
Depreciation	8,929	860,467	869,396
Total operating expenses	<u>102,610</u>	<u>6,852,374</u>	<u>6,954,984</u>
Operating Income (loss)	<u>(102,610)</u>	<u>(5,511,804)</u>	<u>(5,614,414)</u>
Nonoperating Revenues (Expenses):			
Interest revenue	-	37,408	37,408
	<u>-</u>	<u>37,408</u>	<u>37,408</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>37,408</u>	<u>37,408</u>
Income (loss) before contributions and transfers	(102,610)	(5,474,396)	(5,577,006)
Capital contributions	-	2,345,509	2,345,509
Operating Transfers In:			
General Fund	-	3,469,085	3,469,085
Enterprise Funds	91,491	-	91,491
Total transfers in (out)	<u>91,491</u>	<u>3,469,085</u>	<u>3,560,576</u>
Change in Net Assets	<u>(11,119)</u>	<u>340,198</u>	<u>329,079</u>
Total net assets - beginning	<u>312,396</u>	<u>2,865,326</u>	<u>3,177,722</u>
Total net assets - ending	<u>\$ 301,277</u>	<u>\$ 3,205,524</u>	<u>\$ 3,506,801</u>

City of Jackson
Statement of Cash Flows
Proprietary Funds - Nonmajor Funds
For the year ended September 30, 2007

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Receipts from customers and users	\$ -	\$ 426,012	\$ 426,012
Receipts from other revenue	-	1,844,057	1,844,057
Payments to suppliers	(68,483)	(5,447,739)	(5,516,222)
Payments to employees	(27,437)	(143,641)	(171,078)
Net Cash Provided by (used for)			-
Operating activities	<u>(95,920)</u>	<u>(3,321,311)</u>	<u>(3,417,231)</u>
Cash Flows from Noncapital Financing Activities			
Transfers In	<u>91,491</u>	<u>3,469,085</u>	<u>3,560,576</u>
Net Cash Provided by (Used for) Noncapital financing activities)	<u>91,491</u>	<u>3,469,085</u>	<u>3,560,576</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	-	(2,257,576)	(2,257,576)
Principal paid on capital debt	-	(273,115)	(273,115)
Proceeds from capital contributions	-	2,345,509	2,345,509
Net cash used for capital and related financing activities	<u>-</u>	<u>(185,182)</u>	<u>(185,182)</u>
Cash Flow Provided by (used for) Investing Activities:			
Interest on investments	<u>-</u>	<u>37,408</u>	<u>37,408</u>
Net cash provided by investing activities	<u>-</u>	<u>37,408</u>	<u>37,408</u>
Net increase (decrease) in cash and cash equivalents	(4,429)	-	(4,429)
Cash and cash equivalents at beginning of year	4,429	-	4,429
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:			
Operating income	\$ (102,610)	\$ (3,166,295)	\$ (3,268,905)
Depreciation expense	8,929	860,467	869,396
(Increase) decrease in accounts receivable, net	-	-	-
(Increase) decrease in other receivable	-	929,499	929,499
Increase (decrease) in accounts payable	(2,239)	(58,353)	(60,592)
(Increase) decrease in due to other funds	-	458,880	458,880
Total adjustments	<u>6,690</u>	<u>2,190,493</u>	<u>2,197,183</u>
Net cash provided by operating activities	<u>\$ (95,920)</u>	<u>\$ (975,802)</u>	<u>\$ (1,071,722)</u>

FIDUCIARY FUNDS

Fiduciary Funds

Tax Collections

To account for receipt of tax collections for and subsequent payment to the Jackson/Hinds Library System, Jackson Municipal Separate School District, Capital City Community Convention Center, and Jackson Convention & Visitors Bureau.

Unemployment Compensation Revolving Fund

To account for money held in trust to fund unemployment claims pursuant to State law.

Charitable Trust Fire and Police Fund

To account for contributions from the public sector which are held in trust for police and fire allowable claims.

**CITY OF JACKSON
ALL TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Unemployment Compensation Revolving Fund	Charitable Trust Fire and Police Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ <u>122,156</u>	\$ <u>7,636</u>	\$ <u>129,792</u>
Total assets	\$ <u><u>122,156</u></u>	\$ <u><u>7,636</u></u>	\$ <u><u>129,792</u></u>
 Total liabilities	 <u>5,991</u>	 <u>-</u>	 <u>5,991</u>
Net Assets:			
Held in trust	<u>116,165</u>	<u>7,636</u>	<u>123,801</u>
Total net assets	<u>116,165</u>	<u>7,636</u>	<u>123,801</u>
Total liabilities and net assets	\$ <u><u>122,156</u></u>	\$ <u><u>7,636</u></u>	\$ <u><u>129,792</u></u>

**CITY OF JACKSON
ALL TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Unemployment Compensation Revolving Fund	Charitable Trust Fire and Police Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Interest	\$ 2,740	\$ -	\$ 2,740
Other additions	<u>203,000</u>	<u>-</u>	<u>-</u>
Total additions	<u>205,740</u>	<u>-</u>	<u>2,740</u>
Deductions:			
General government Trust funds	<u>111,024</u>	<u>-</u>	<u>111,024</u>
Total deductions	<u>111,024</u>	<u>-</u>	<u>111,024</u>
Change in Net Assets	94,716	-	94,716
Net assets at beginning of year	<u>21,449</u>	<u>7,636</u>	<u>29,085</u>
Net assets at end of year	<u>\$ 116,165</u>	<u>\$ 7,636</u>	<u>\$ 123,801</u>

**CITY OF JACKSON
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>ASSETS</u>		<u>LIABILITIES</u>	
	Cash and Cash Equivalents	Total Assets	Other Liabilities	Total Liabilities
Capital City Community Convention Center				
Balance at October 1, 2006	-	-	-	-
Additions	3,248,960	3,248,960	3,248,960	3,248,960
Deductions	<u>3,248,830</u>	<u>3,248,830</u>	<u>3,248,830</u>	<u>3,248,830</u>
Balance at September 30, 2007	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>
Jackson Convention & Visitors Bureau				
Balance at October 1, 2006	-	-	-	-
Additions	3,257,025	3,257,025	3,257,025	3,257,025
Deductions	<u>3,248,830</u>	<u>3,248,830</u>	<u>3,248,830</u>	<u>3,248,830</u>
Balance at September 30, 2007	<u>8,195</u>	<u>8,195</u>	<u>8,195</u>	<u>8,195</u>
Jackson/Hinds Library System				
Balance at October 1, 2006	-	-	-	-
Additions	1,258,289	1,258,289	1,258,289	1,258,289
Deductions	<u>1,258,289</u>	<u>1,258,289</u>	<u>1,258,289</u>	<u>1,258,289</u>
Balance at September 30, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Jackson Municipal Separate School District				
Balance at October 1, 2006	-	-	-	-
Additions	10,242,378	10,242,378	10,242,378	10,242,378
Deductions	<u>10,242,378</u>	<u>10,242,378</u>	<u>10,242,378</u>	<u>10,242,378</u>
Balance at September 30, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total - All Agency Funds:				
Balance at October 1, 2006	-	-	-	-
Additions	18,006,652	18,006,652	18,006,652	18,006,652
Deductions	<u>17,998,327</u>	<u>17,998,327</u>	<u>17,998,327</u>	<u>17,998,327</u>
Balance at September 30, 2007	<u>8,325</u>	<u>8,325</u>	<u>8,325</u>	<u>8,325</u>

CAPITAL ASSETS

**CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE (1)
SEPTEMBER 30, 2007 AND 2006**

	2007	2006
Governmental funds capital assets:		
Land	\$ 14,440,776	\$ 14,698,209
Buildings	66,784,000	65,943,333
Automotive and equipment:	69,467,614	65,926,598
Infrastructure	239,222,537	238,631,710
Construction in progress	41,190,402	36,551,852
Total governmental funds capital assets	\$ 431,105,329	\$ 421,751,702

Investment in governmental funds capital assets by source:

Assets prior to 1985 not segregated by sources	\$ 14,002,713	\$ 14,002,713
General Fund revenues	69,518,664	66,664,997
Special Revenue Fund revenues	92,799,679	92,447,804
Special Assessment bonds	1,962,957	1,962,957
General Obligation bonds	205,925,040	203,050,628
Limited Obligation bonds	2,252,694	2,252,694
Debt Service Fund revenues	65,000	65,000
Federal grants	44,095,375	40,821,702
State grants	52,261	52,261
County grants	430,946	430,946
Total governmental funds capital assets	\$ 431,105,329	\$ 421,751,702

- (1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (1)
SEPTEMBER 30, 2007

	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Automotive and Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
Assets prior to 1985 not segregated by function and activity	\$ 10,957,843	\$ -	\$ -	\$ 3,044,869	\$ -	\$ 14,002,712
General Government:						
Planning	499,506	43,001	39,349	297,301	2,177,517	3,056,674
Code Services	-	-	-	772,261	-	772,261
Telecommunication	-	4,554,834	8,943	99,140	-	4,662,917
Data Processing / Information System	-	-	-	5,638,560	-	5,638,560
Vehicle Pool Fund	-	-	-	581,804	-	581,804
Mayor's Office of Development Assistance	100,000	-	-	104,679	-	204,679
Office Services	-	-	-	144,666	-	144,666
Purchasing	-	-	-	50,337	-	50,337
Finance and Management	-	2,299,392	133,238	260,038	-	2,692,668
Personnel	-	-	-	220,416	-	220,416
Municipal Court Services	-	-	-	1,427,704	712,767	2,140,471
Vehicle Maintenance	-	5,816	-	653,768	-	659,584
Minority Business Development	-	-	-	27,598	-	27,598
Total general government	599,506	6,903,043	181,530	10,278,272	2,890,284	20,852,635
Urban Development and Housing:						
Neighborhood Enhancement Task	-	-	-	11,125	-	11,125
Redevelopment Projects	87,578	-	-	69,874	-	157,452
Post Office Project	500	-	-	-	-	500
Union Station	-	13,911,954	243,000	-	-	14,154,954
Total urban development and housing	88,078	13,911,954	243,000	80,999	-	14,324,031
Health and Welfare:						
Public Relations/Information	-	-	-	14,829	-	14,829
Senior Services	-	235,854	-	482,947	-	718,801
Day Care Services	-	281,849	16,109	205,904	-	503,862
Senior Centers/Community Centers	-	1,271,615	-	33,582	-	1,305,197
Group Home	46,245	-	-	-	-	46,245
Human and Cultural Services	-	15,645	1,876	62,392	-	79,913
Total health and welfare	46,245	1,804,963	17,985	799,654	-	2,668,847

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)
SEPTEMBER 30, 2007

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Public Safety:						
Fire Department	\$ 75,000	\$ 5,298,641	\$ 3,550,734	\$ 15,694,598	\$ 295,306	\$ 24,914,279
Police Department	23,250	3,386,367	856,190	26,170,185	12,118,025	42,554,016
Small Animal Control	-	1,366,367	-	17,746	-	1,384,113
Juvenile Justice	-	431,482	4,502,506	86,199	-	5,020,187
Emergency Management	-	-	-	17,914	-	17,914
Communication Center	-	1,292,879	-	300,903	-	1,593,782
Public Safety Garage	-	-	-	29,060	-	29,060
Total public safety	98,250	11,775,736	8,909,430	42,316,605	12,413,331	75,513,352
Public Works:						
Cemeteries	-	8,430	-	143,318	-	151,748
Engineering	585,273	736,489	500,000	4,607,952	-	6,429,714
Traffic Engineering	-	17,215	25,875	2,269,953	820,339	3,133,382
Traffic Signals	-	-	287,358	337,813	4,237,177	4,862,348
Care and Maintenance of Public Buildings	-	6,453,016	437,544	258,139	-	7,148,699
Custodial Services	-	-	-	130,546	-	130,546
Public Works Deputy Dir/Adm	-	-	-	7,720	-	7,720
Pest Control	-	-	-	1,426	-	1,426
Central Supply	-	-	-	(65)	-	(65)
Streets	354,278	-	134,566,334	484,190	14,341,412	149,746,214
Storm Drainage	-	-	85,896,075	205,366	3,088,344	89,189,785
Bridges	-	-	30,873	-	-	30,873
Soil Conservation	-	-	120,000	-	-	120,000
Recycling	-	-	-	-	-	-
Total public works	939,551	7,215,150	221,864,059	8,446,358	22,487,272	260,952,390
Culture and Recreation:						
Planetarium	-	827,314	-	498,399	34,963	1,360,676
Jackson Zoological Park	-	1,500,000	-	465,125	-	1,965,125
Municipal Art Building	-	5,758	29,049	5,907	-	40,714
Parks and Recreation	225,820	9,094,642	7,280,615	2,371,627	198,180	19,170,884
Teen Center	-	-	-	5,293	-	5,293
Library	-	5,710,933	-	156,099	2,069,327	7,936,359
Smith Robertson Cultural Center	-	1,238,810	185,738	30,034	-	1,454,582
City Auditorium and Art Center	-	3,849,374	511,131	64,922	1,097,045	5,522,472
Total culture and recreation	225,820	22,226,831	8,006,533	3,597,406	3,399,515	37,456,105

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)
SEPTEMBER 30, 2007

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Miscellaneous:						
City Council/Mayor	\$ -	\$ 402,664	\$ -	\$ 393,746	\$ -	\$ 796,410
City Clerk	-	-	-	183,708	-	183,708
City Hall	-	2,526,372	-	-	-	2,526,372
Legal	-	17,287	-	266,957	-	284,244
Mayor's Action Line	-	-	-	40,415	-	40,415
Industrial Park	1,485,483	-	-	-	-	1,485,483
Internal Audit	-	-	-	18,625	-	18,625
Total miscellaneous	1,485,483	2,946,323	-	903,451	-	5,335,257
Total City of Jackson	14,440,776	66,784,000	239,222,537	69,467,614	41,190,402	431,105,329
Total governmental funds capital assets	\$ 14,440,776	\$ 66,784,000	\$ 239,222,537	\$ 69,467,614	\$ 41,190,402	\$ 431,105,329

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (1)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Governmental Funds Capital Assets October 1, 2006	Additions	Deductions	Governmental Funds Capital Assets September 30, 2007
General Government:				
Planning	\$ 955,446	7,373	\$ 257,568	\$ 705,251
Code Services	622,368	40,016	-	662,384
Information Systems	744,447	-	-	744,447
Transportation	10,192,613	-	-	10,192,613
Data Processing	1,575,952	-	-	1,575,952
Vehicle Pool	-	11,553	-	11,553
Telecommunications	10,301,909	-	-	10,301,909
Purchasing	50,089	635	-	50,724
Finance and Management	7,679,851	-	-	7,679,851
Personnel	129,179	1,587	-	130,766
Municipal Court Services	538,378	1,385,243	-	1,923,621
Vehicle Maintenance	1,545,776	14,334	-	1,560,110
Total general government	34,336,008	1,460,741	257,568	35,539,181
Urban Development and Housing:				
Redevelopment Projects	272,751	-	-	272,751
Union Station	13,448,496	-	-	13,448,496
Total urban development and housing	13,721,247	-	-	13,721,247
Health and Welfare:				
Senior Services	805,132	17,779	586	822,325
Day Care Services	1,137,962	20,494	-	1,158,456
Senior Centers/Community Centers	630,024	-	-	630,024
Human and Cultural Services	1,383,616	4,527	2,345	1,385,798
Total health and welfare	3,956,734	42,800	2,931	3,996,603

(Continued)

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Governmental Funds Capital Assets October 1, 2006	Additions	Deductions	Governmental Funds Capital Assets September 30, 2007
Public Safety:				
Fire Department	\$ 28,489,855	\$ 954,004	-	\$ 29,443,859
Police Department	38,361,662	2,643,913	14,750	40,990,825
Small Animal Control	1,714,102	-	-	1,714,102
Juvenile Justice	11,693,078	-	-	11,693,078
Communication Center	4,120,964	-	-	4,120,964
Public Safety Garage	230,776	-	-	230,776
Total public safety	<u>84,610,437</u>	<u>3,597,917</u>	<u>14,750</u>	<u>88,193,604</u>
Public Works:				
Cemeteries	356,014	-	-	356,014
Engineering	3,191,597	3,021	2,436	3,192,182
Traffic Engineering	6,752,559	778,942	-	7,531,501
Care and Maintenance of Public Buildings	10,023,777	2,385	-	10,026,162
Custodial Services	129,850	1,222	271	130,801
Pest Control	10,452	-	-	10,452
Central Supply	709,337	-	-	709,337
Streets	146,457,242	2,561,399	1,082	149,017,559
Storm Drainage	59,006,809	902,630	-	59,909,439
Bridges	-	-	-	-
Soil Conservation	482,909	-	-	482,909
Total public works	<u>227,120,546</u>	<u>4,249,599</u>	<u>3,789</u>	<u>231,366,356</u>
Culture and Recreation:				
Planetarium	4,779,879	-	-	4,779,879
Jackson Zoological Park	3,515,393	-	-	3,515,393
Municipal Art Building	75,838	-	-	75,838
Parks and Recreation	17,550,510	75,491	3,878	17,622,123
Library	10,243,823	-	-	10,243,823
Smith Robertson Cultural Center	2,673,250	12,001	-	2,685,251
City Auditorium and Art Center	12,514,627	190,128	-	12,704,755
Total culture and recreation	<u>51,353,320</u>	<u>277,620</u>	<u>3,878</u>	<u>51,627,062</u>

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Governmental Funds Capital Assets October 1, 2006	Additions	Deductions	Governmental Funds Capital Assets September 30, 2007
Miscellaneous:				
City Council/Mayor	\$ 6,379,440	\$ 595	-	\$ 6,380,035
City Clerk	62,926	-	-	62,926
Legal	176,866	7,271	-	184,137
Mayor's Action Line	13,227	-	-	13,227
Internal Audit	20,951	-	-	20,951
Total miscellaneous	<u>6,653,410</u>	<u>7,866</u>	<u>-</u>	<u>6,661,276</u>
Total governmental funds capital assets	<u>\$ 421,751,702</u>	<u>\$ 9,636,543</u>	<u>\$ 282,916</u>	<u>\$ 431,105,329</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
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Financial Trends	105
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These schedules contain trend information to help the reader understand how the City of Jackson’s financial performance and well-being have changed over time.

Revenue Capacity	112
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These schedules contain information to help the reader assess the City of Jackson’s most significant local revenue source, the property tax.

Debt Capacity	116
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These schedules present information to help the reader assess the affordability of the City of Jackson’s current levels of outstanding debt and the city’s ability to issue additional debt in the future.

Demographic and Economic Information	121
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The schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Jackson’s financial activities take place.

Operating Information	123
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These schedules contain service and infrastructure data to help the reader understand how the information in the City of Jackson’s financial report relates to the services the city provides and the activities it performs.

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

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City of Jackson
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Governmental activities										
Invested in capital assets, net of related debt	\$ 196,018	\$ 168,144	\$ 131,159	\$ 113,083	\$ 95,360	\$ 34,608	\$ -	\$ -	\$ -	\$ -
Restricted	5,730	4,169	4,296	5,787	(476)	5,612	28,845	13,903	20,205	25,428
Unrestricted	24,635	33,779	40,415	53,370	17,445	37,289	27,879	53,390	61,600	23,255
Total governmental activities net assets	<u>\$ 226,383</u>	<u>\$ 206,092</u>	<u>\$ 175,870</u>	<u>\$ 172,240</u>	<u>\$ 112,329</u>	<u>\$ 77,509</u>	<u>\$ 56,724</u>	<u>\$ 67,293</u>	<u>\$ 81,805</u>	<u>\$ 48,683</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 147,013	\$ 135,512	\$ 80,995	\$ 128,208	\$ 122,710	\$ 141,800	\$ 88,326	\$ 89,235	\$ 90,007	\$ 91,238
Restricted	3,765	3,661	3,643	3,581	(125,132)	150,412	27,768	35,873	50,375	19,542
Unrestricted	94,972	94,115	136,958	85,831	217,427	(54,152)	95,675	86,673	69,017	94,776
Total business-type activities net assets	<u>\$ 245,750</u>	<u>\$ 233,288</u>	<u>\$ 221,596</u>	<u>\$ 217,620</u>	<u>\$ 215,005</u>	<u>\$ 238,060</u>	<u>\$ 211,769</u>	<u>\$ 211,781</u>	<u>\$ 209,399</u>	<u>\$ 205,556</u>
Primary government										
Invested in capital assets, net of related debt	\$ 343,031	\$ 303,656	\$ 212,154	\$ 241,291	\$ 218,070	\$ 176,408	\$ 88,326	\$ 89,235	\$ 90,007	\$ 91,238
Restricted	9,495	7,830	7,939	9,368	(125,608)	156,024	56,613	49,776	70,580	44,970
Unrestricted	120,621	127,894	177,373	139,201	234,872	(16,863)	123,554	140,063	130,617	118,031
Total primary government net assets	<u>\$ 472,133</u>	<u>\$ 439,380</u>	<u>\$ 397,466</u>	<u>\$ 389,860</u>	<u>\$ 327,334</u>	<u>\$ 315,569</u>	<u>\$ 268,493</u>	<u>\$ 279,074</u>	<u>\$ 291,204</u>	<u>\$ 254,239</u>

Source: Statement of Net Assets.

City of Jackson

Changes in Net Assets
Last Ten Fiscal Years

(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Expenses										
Governmental activities:										
General government	49,147	\$ 29,179	\$ 33,311	\$ 30,021	\$ 30,228	\$ 28,337				
Public safety	62,576	29,109	53,193	59,495	51,657	54,196				
Public works	15,993	35,819	23,972	19,657	16,815	10,156				
Human and cultural services	13,067	17,004	14,069	10,829	11,994	6,655				
Employee benefits	2,180	1,836	3,257	2,329	3,359	3,275				
Interest on long-term debt	5,647	4,731	9,307	5,965	6,254	8,674				
Total governmental activities expenses	148,610	117,678	137,109	128,296	120,307	111,293				
Business-type activities:										
Water/Sewer	39,904	41,184	39,663	39,299	44,396	37,671				
Transportation	6,852	6,589	6,167	6,117	5,740	5,782				
Sanitation	10,931	9,893	8,979	9,205	9,075	9,135				
Total business-type activities expenses	57,687	57,666	54,809	54,621	59,211	52,588				
Total primary government expenses	206,297	\$ 175,344	\$ 191,918	\$ 182,917	\$ 179,518	\$ 163,881	\$ -	\$ -	\$ -	\$ -
Program Revenues										
Governmental activities:										
Charges for services										
General government	7,422	3,139	5,562	3,101	6,805	6,379				
Public Safety	2,806	3,003	7,993	5,662	3,582	550				
Public Works	1,147	1,698	7,038	2,682	766	490				
Human and cultural services	1,667	1,481	2,524	2,036	742	629				
Employee benefits				901	223	42				
Operating grants and contributions	12,968	22,969	12,720	4,611	12,574	10,402				
Capital grants and contributions	1,771	5,955	2,034	12,774	10,873	16,272				
Total governmental activities program revenues	27,781	38,245	37,871	31,767	35,565	34,764				
Business-type activities:										
Charges for services:										
Water/Sewer	43,847	42,262	39,023	40,809	43,628	48,071				
Transportation	426	448	423	475	525	595				
Sanitation	10,476	9,113	8,016	9,031	7,669	7,740				
Operating grants and contributions	1,378	4,391	4,137	1,947	1,626	10,843				
Capital grants and contributions	5,133	-	-	-	-	-				
Total business-type activities program revenue	61,260	56,214	51,599	52,262	53,448	67,249				
Total primary government program revenues	89,041	\$ 94,459	\$ 89,470	\$ 84,029	\$ 89,013	\$ 102,013	\$ -	\$ -	\$ -	\$ -

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Net (expense)/revenue	(120,829)	(79,433)	(99,238)	(96,529)	(84,742)	(76,529)				
Governmental activities	3,573	(1,452)	(3,210)	(2,359)	(5,763)	14,661				
Business-type activities	<u>\$ (117,256)</u>	<u>\$ (80,885)</u>	<u>\$ (102,448)</u>	<u>\$ (98,888)</u>	<u>\$ (90,505)</u>	<u>\$ (61,868)</u>				
Total primary government net expenses										
General Revenues and Other Charges in										
Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 65,037	\$ 61,945	\$ 59,529	\$ 60,675	\$ 63,955	\$ 59,076				
Sales taxes	40,453	40,849	36,197	36,593	35,097	35,899				
Franchise taxes	8,936	10,144	8,818	8,460	10,692	5,834				
Unrestricted grants and contributions	-	-	-	-	292	348				
Investment earnings	5,251	1,864	1,042	964	-	-				
Gain on sale of capital assets	198	301	3,189	27	94	79				
Miscellaneous	20	25	494	3,034	-	7,823				
Transfers	(4,369)	(5,473)	(4,288)	(3,513)	(4,512)	(2,282)				
Total governmental activities	<u>115,526</u>	<u>109,655</u>	<u>104,981</u>	<u>106,240</u>	<u>105,618</u>	<u>106,777</u>				
Business-type activities:										
Investment earnings	4,470	4,615	2,823	1,353	1,424	1,079				
Gain on sale of capital assets	50	55	77	42	(21,867)	(6)				
Miscellaneous	-	-	-	-	-	1,644				
Transfers	4,369	5,473	4,288	3,513	4,512	2,282				
Total business-type activities	<u>8,889</u>	<u>10,143</u>	<u>7,188</u>	<u>4,908</u>	<u>(15,931)</u>	<u>4,999</u>				
Total primary government	<u>\$ 124,415</u>	<u>\$ 119,798</u>	<u>\$ 112,169</u>	<u>\$ 111,148</u>	<u>\$ 89,687</u>	<u>\$ 111,776</u>				
Changes in Net Assets										
Governmental activities	\$ 5,303	\$ (30,222)	\$ (5,743)	\$ (9,711)	\$ (20,876)	\$ (30,248)				
Business-type activities	(12,462)	(8,691)	(3,978)	(2,549)	21,694	(19,660)				
Total primary government	<u>\$ (7,159)</u>	<u>\$ (38,913)</u>	<u>\$ (9,721)</u>	<u>\$ (12,260)</u>	<u>\$ 818</u>	<u>\$ (49,908)</u>				

Source: Statement of Activities

Note: Data for years 1998-2001 is currently not available.

City of Jackson
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2007	44,240	35,838	1,442	31	304	81,855
2006	41,324	37,993	1,398	31	302	81,048
2005	40,509	35,673	1,406	31	267	77,886
2004	41,660	35,882	1,152	31	261	78,986
2003	41,660	35,097	1,376	31	249	78,413
2002	38,285	35,685	1,836	30	250	76,086
2001	34,347	35,641	1,436	29	236	71,689
2000	34,438	36,452	1,243	32	225	72,390
1999	31,478	37,358	1,099	32	219	70,186
1998	31,099	33,885	994	32	205	66,215

Source: General Fund Budget and Actual Statement

City of Jackson
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General fund										
Reserved	\$ 3,869	\$ 3,622	\$ 3,435	\$ 3,094	\$ 3,564	\$ 3,954	\$ 3,896	\$ 4,103	\$ 6,230	\$ 7,891
Unreserved	11,835	12,041	9,535	14,678	14,961	11,834	10,550	15,051	19,182	16,860
Total general fund	<u>\$ 15,704</u>	<u>\$ 15,663</u>	<u>\$ 12,970</u>	<u>\$ 17,772</u>	<u>\$ 18,525</u>	<u>\$ 15,788</u>	<u>\$ 14,446</u>	<u>\$ 19,154</u>	<u>\$ 25,412</u>	<u>\$ 24,751</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74	\$ 21,135	\$ 4,822	\$ 8,028	\$ 5,023
Unreserved, reported in:										
Special revenue funds	5,162	4,794	4,481	5,907	8,378	8,410	(10,432)	7,696	6,283	6,395
Capital project funds	59,292	12,063	22,926	34,404	41,263	25,174	30,373	30,643	36,135	6,027
Permanent funds	2,521	1,529	1,785	1,293	451	1,902	3,814	4,978	5,947	6,854
Total all other governmental funds	<u>\$ 66,975</u>	<u>\$ 18,386</u>	<u>\$ 29,192</u>	<u>\$ 41,604</u>	<u>\$ 50,092</u>	<u>\$ 35,560</u>	<u>\$ 44,890</u>	<u>\$ 48,139</u>	<u>\$ 56,393</u>	<u>\$ 24,299</u>

Source: Governmental Funds - Balance Sheet

City of Jackson
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues										
Taxes	\$ 63,606	\$ 60,221	\$ 59,078	\$ 59,979	\$ 60,412	\$ 56,654	\$ 54,783	\$ 54,824	\$ 52,641	\$ 50,497
Licenses and permits	3,167	2,968	2,199	2,673	2,353	2,544	2,564	2,712	2,802	2,681
Intergovernmental	56,783	63,338	59,769	55,620	62,596	66,481	53,734	56,809	52,582	51,155
Charges for services	3,032	3,150	3,446	3,155	2,857	2,814	2,457	1,737	1,826	1,520
Fines	3,106	3,202	3,123	3,123	3,007	3,325	3,684	3,849	3,773	4,045
Investment earnings	5,252	1,865	1,042	964	904	1,452	3,806	4,004	3,821	2,707
Special assessments	14	14	17	26	38	270	170	241	131	167
Miscellaneous	13,374	15,950	17,307	13,621	15,085	13,669	12,145	14,416	9,077	62,159
Total revenues	148,334	150,708	145,981	139,161	147,252	147,209	133,343	138,592	126,653	174,931
Expenditures										
General government	45,471	28,359	30,352	30,396	23,412	21,475	31,242	25,737	23,128	22,583
Public safety	58,926	58,984	56,471	59,173	53,767	50,775	47,378	48,910	49,292	43,960
Economic and physical development	-	-	-	-	-	-	1,843	2,369	1,376	1,938
Culture and recreation	13,177	16,550	13,686	9,496	11,770	6,464	2,158	4,963	4,892	4,321
Public Works	17,243	30,012	20,855	25,557	27,004	43,638	17,867	37,540	22,977	19,224
Employee Benefits	2,180	1,836	3,327	2,846	3,547	3,193	2,110	7,538	2,593	55,911
Health and Welfare	-	-	-	-	-	-	-	6,744	5,337	5,568
Capital Outlay	9,040	2,049	15,617	1,053	1,080	1,170	2,651	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	13,830	13,190	12,912	11,500	13,300	41,960	11,945	8,370	10,820	6,875
Interest	6,314	4,584	4,150	5,977	6,262	7,011	7,346	5,063	8,557	4,240
Other chargers	-	-	334	-	-	-	-	-	-	-
Miscellaneous	705	760	504	962	9,017	7,610	16,803	243	282	228
Total expenditures	166,886	156,324	158,208	146,960	149,159	183,296	141,343	147,477	129,254	164,848
Excess of revenues over (under) expenditures	(18,552)	(5,616)	(12,227)	(7,799)	(1,907)	(36,087)	(8,000)	(8,885)	(2,601)	10,083

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Other financing sources (uses)										
Transfer in	6,565	4,116	4,296	7,174	17,328	15,753	1,028	(553)	358	2,929
Transfer out	(14,354)	(13,443)	(12,212)	(13,453)	(23,381)	(20,728)	(6,586)	(3,939)	(3,541)	(4,026)
Proceeds from capital leases	1,119	47	1,846	4,839	5,204	4,477	-	-	-	-
Proceeds from long-term note	186	6,783	750	-	-	31,173	3,114	2,104	4,026	-
Proceeds from refunding bonds	-	-	22,248	-	-	-	-	-	35,000	-
Proceeds from GO Bonds	66,117	-	-	-	-	-	-	-	-	-
Sales of Bonds	-	-	-	-	20,000	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	(21,914)	-	-	-	-	-	-	-
Total other financing sources (uses)	59,633	(2,497)	(4,986)	(1,440)	19,151	30,675	(2,444)	(2,388)	35,843	(1,097)
Net change in fund balances	\$41,081	\$ (8,113)	\$ (17,213)	\$ (9,239)	\$ 17,244	\$ (5,412)	\$ (10,444)	\$ (11,273)	\$ 33,242	\$ 8,986
Debt service as a percentage of noncapital expenditures	14.5%	12.8%	12.4%	13.5%	15.1%	36.5%	15.8%	10.0%	17.6%	7.2%

City of Jackson
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2007	\$63,606	\$35,838	\$1,442	\$31	\$304	101,221
2006	60,221	37,993	1,398	31	302	99,945
2005	59,079	35,673	1,406	31	267	199,890
2004	59,979	35,882	1,152	31	261	296,346
2003	60,411	35,097	1,376	31	249	393,651
2002	56,653	35,685	1,836	30	250	490,815
2001	54,783	35,641	1,436	29	236	585,269
2000	54,824	36,452	1,243	32	225	677,394
1999	52,641	37,358	1,099	32	219	770,170
1998	50,497	33,885	994	32	205	861,519

City of Jackson
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (2)

Fiscal Year	Real Property		Personal Property		Total		Total Direct Tax Rate	Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value		
2007	\$ 657,256,904	5,079,239,993	452,073,610	2,081,230,213	1,109,330,514	7,160,470,206	56.75	10%,15%,and 30%
2006	657,256,904	5,079,239,993	452,073,610	2,081,230,213	1,109,330,514	7,160,470,206	54.75	10%,15%,and 30%
2005	646,330,913	5,049,924,236	450,491,882	2,058,904,287	1,096,822,795	7,108,828,523	54.75	10%,15%,and 30%
2004	647,107,272	5,064,263,293	449,595,540	2,056,352,200	1,096,702,812	7,120,615,493	54.75	10%,15%,and 30%
2003	645,275,896	5,058,517,697	450,036,558	2,047,883,870	1,095,312,454	7,106,401,567	54.75	10%,15%,and 30%
2002	648,515,478	5,082,209,647	457,215,511	2,072,729,643	1,105,730,989	7,154,939,290	54.45	10%,15%,and 30%
2001	572,009,657	4,514,020,527	456,399,511	2,158,493,493	1,028,409,168	6,672,514,020	51.95	10%,15%,and 30%
2000	559,692,098	4,407,089,183	468,776,459	2,194,620,657	1,028,468,557	6,601,709,840	51.95	10%,15%,and 30%
1999	559,638,299	4,419,016,266	456,316,595	2,063,278,520	1,015,954,894	6,482,294,786	51.95	10%,15%, and 30%
1998	553,577,543	4,361,772,160	447,772,600	1,969,326,240	1,001,350,143	6,331,098,400	51.70	10%,15%, and 30%

(1) Ad valorem tax property assessments within the City and the Jackson Municipal Separate School District are fixed at ten percent (10%) of appraised value for homeowner occupied real property, and fifteen percent (15%) of appraised value for all other real and personal property for Fiscal Years 1987-1996. State law required a reappraisal of all property in Mississippi in order to obtain an equitable and uniform appraisal in proportion to current market value, and property was assessed at fifteen percent (15%) beginning in Fiscal Year 1985. The assessed value for motor vehicles and for property owned by public service corporations is determined by an assessment schedule prepared each year by the State of Mississippi Tax Commission, and is set at approximately thirty percent (30%) of appraised value for Fiscal Year 1989 and thereafter.

(2) Includes automotive valuation.

There was an error in reporting the fiscal year 2006 assessed and estimated taxable property. This error is corrected in fiscal year 2007.

SOURCE: Hinds, Rankin and Madison County Tax Collectors

**CITY OF JACKSON
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Jackson			County			Overlapping Rates			Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Debt Service & Operating County		School District		Total School Millage	Special Districts	
				Operating Millage	Debt Service Millage	Operating Millage	Debt Service Millage			
2007	47.23	9.52	56.75	39.12	68.91	6.08	74.99	1.28	172.14	
2006	45.23	9.52	54.75	39.12	68.91	6.79	75.7	1.28	170.85	
2005	45.23	9.52	54.75	39.12	68.91	6.79	75.70	1.28	170.85	
2004	45.23	9.52	54.75	37.54	68.91	6.79	75.70	1.28	169.27	
2003	45.23	9.52	54.75	37.54	68.91	6.79	75.70	1.28	169.27	
2002	44.23	10.22	54.45	37.41	68.91	7.09	76.00	1.28	169.14	
2001	41.23	10.72	51.95	35.41	68.27	7.02	75.29	1.28	163.93	
2000	41.23	10.72	51.95	35.41	66.71	7.58	74.29	1.28	162.93	
1999	40.23	11.72	51.95	35.41	66.71	7.58	74.29	1.28	162.93	
1998	39.98	11.72	51.70	34.81	66.70	7.84	74.54	1.28	162.33	

Source: Hinds County Tax Collectors, Jackson Public School District, and Jackson/Hinds Library System

**City of Jackson
Principal Property Taxpayers
September 30, 2007
(amounts expressed in thousands)**

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Bell South	\$ 75,530	1	8.21%	\$ 85,965	1	9.92%
Entergy	50,680	2	5.51%	42,074	2	4.86%
Atmos Energy	9,645	3	1.05%	6,240	8	0.72%
Jackson HMA	7,005	5	0.76%	-		-
AT& T	4,238	9	0.46%	23,746	3	2.74%
Trustmark National Bank	5,629	6	0.61%	1,871	10	0.22%
Parkway Properties	7,674	4	0.83%	-		-
Central MS Health Systems	4,751	8	0.52%	-		-
Jackson Medical Offices	3,823	10	0.42%	-		-
Wal-Mart/Sam's Wholesale Club	5,601	7	0.61%	-		-
McCarty Holman, Inc.	-		-	8,349	4	0.96%
Deposit Guaranty National Bank	-		-	7,884	6	0.91%
Metrocenter	-		-	8,344	5	0.96%
Southern Farm Bureau Insurance Company	-		-	4,586	9	0.53%
McRae's	-		-	7,650	7	0.88%
Totals	\$ 174,576		18.97%	\$ 196,709		22.70%

Source: Mississippi Chamber of Commerce

City of Jackson
Property Tax Levies and Collections
Last Ten Fiscal Years
 (amounts expressed in thousands)

<u>Fiscal Year Ended September 30</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2007	\$ 55,147	\$ 54,276	98.4%	\$ 306	\$ 54,582	99.0%
2006	52,019	50,928	97.9	996	51,924	99.8
2005	53,925	52,750	97.8	270	53,020	98.3
2004	51,710	50,606	97.9	301	50,907	98.4
2003	55,845	53,807	96.4	445	54,252	97.1
2002	53,295	50,401	94.6	250	50,651	95.0
2001	49,078	47,661	97.1	748	48,408	98.6
2000	48,399	47,335	97.8	1,345	48,679	100.6
1999	48,585	46,765	96.3	16	46,782	96.3
1998	48,128	45,908	95.4	193	46,101	95.8

The total tax levy does not include automobile ad valorem taxes.

Beginning Fiscal Year 1988, the majority of school taxes collected were remitted directly to the Jackson Municipal Separate School District by Hinds County, the collecting agency.

City of Jackson

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Sewer Bonds	General Obligation Bonds	Capital Leases			
2007	115,500	-	14,013	167,670	-	2,272	299,455	5.11%	\$ 1,625
2006	58,715	-	16,009	173,700	-	1,379	249,803	4.35%	1,356
2005	66,525	-	12,601	179,250	-	1,417	259,793	4.89%	1,410
2004	73,195	-	14,105	115,995	-	2,550	205,845	3.88%	1,117
2003	80,180	-	12,179	121,400	630	3,442	217,831	4.31%	1,182
2002	69,365	-	9,085	132,226	1,205	4,117	215,998	4.27%	1,172
2001	76,735	180	6,616	88,226	1,730	3,718	177,205	3.77%	962
2000	85,905	350	5,764	93,895	2,205	4,144	192,263	4.25%	1,043
1999	94,015	510	6,476	98,314	2,640	2,128	204,083	4.54%	1,010
1998	65,670	665	4,436	67,683	3,040	306	141,800	3.25%	702

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
 (1) See the Schedule of Demographic and Economic Statistics on page 119 for personal income and population data.

City of Jackson
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Assessed Value	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2007	\$ 920,291	\$ 115,500	\$ 2,521	\$ 112,979	12.28%	\$ 614.02
2006	908,925	58,715	1,529	57,186	6.29%	310.79
2005	918,235	66,525	1,785	64,740	7.05%	351.36
2004	903,200	73,195	1,293	71,902	7.96%	390.23
2003	960,332	80,180	451	79,729	8.30%	432.71
2002	904,380	69,365	1,902	67,463	7.46%	366.14
2001	895,371	76,735	3,814	72,921	8.14%	395.76
2000	889,245	85,905	4,978	80,927	9.10%	439.21
1999	878,548	94,015	5,947	88,068	10.02%	435.85
1998	864,339	100,670	6,487	94,183	10.90%	466.11

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual of Taxable Property on page 110 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 119.

City of Jackson
Direct and Overlapping Governmental Activities Debt
As of September 30, 2007
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hinds County	\$ 54,605	76.57%	\$ 41,811
Jackson Public Schools	-	100.00%	-
Subtotal, overlapping debt			<u>41,811</u>
 City of Jackson direct debt	 115,500	 100.00%	 115,500
 Total direct and overlapping debt			 <u>\$ 157,311</u>

Sources: Assessed value data used to estimate applicable percentages by City of Jackson, Hinds County, and Jackson Public Schools.

Note: Overlapping governments are those that coincide with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Jackson. This process recognizes that, when considering the City of Jackson ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is with the government's boundaries and dividing it by the county's total taxable assessed value.

City of Jackson
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt limit	\$ 160,138	\$ 158,399	\$ 159,636	\$ 159,437	\$ 158,886	\$ 160,907	\$ 152,180	\$ 150,270	\$ 149,279	\$ 144,547
Total net debt applicable to limit	<u>50,710</u>	<u>59,120</u>	<u>67,345</u>	<u>74,400</u>	<u>81,745</u>	<u>71,255</u>	<u>78,925</u>	<u>87,405</u>	<u>95,775</u>	<u>103,640</u>
Legal debt margin	<u>\$ 109,428</u>	<u>\$ 99,279</u>	<u>\$ 92,291</u>	<u>\$ 85,037</u>	<u>\$ 77,141</u>	<u>\$ 89,652</u>	<u>\$ 73,255</u>	<u>\$ 62,865</u>	<u>\$ 53,504</u>	<u>\$ 40,907</u>

Total net debt applicable to the limit
as a percentage of the debt limit

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 1,118,384
Less Homestead Exemption	\$ 50,799
Total assessed value	<u>\$ 1,067,585</u>

Debt limit (15% of total assessed value)	160,138
Debt application to limit:	
Bond indebtedness	230,810
Less: Amount set aside for repayment of revenue bond debt	(180,100)
Total net debt applicable to limit	<u>\$ 50,710</u>
Legal debt margin	<u>\$ 109,428</u>

Note: Under state finance law, the City of Jackson's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

City of Jackson
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Sewer Revenue Bonds				Special Assessment Bonds (1)			
	Water/Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2007	\$ 44,180	\$ 22,830	\$ 21,350	1.47	\$	\$	\$	\$
2006	45,495	23,985	21,510	1.50	-	-	-	-
2005	41,166	22,387	18,779	1.44	-	-	-	-
2004	40,012	23,394	16,618	1.38	-	-	-	-
2003	44,387	21,903	22,484	1.71	-	-	-	-
2002	44,453	20,609	23,844	2.42	154	180	9	20.00
2001	33,524	21,411	12,113	1.23	170	170	18	9.44
2000	33,964	20,111	13,853	1.36	141	160	26	6.15
1999	35,802	19,202	16,600	2.32	130	155	33	4.70
1998	31,676	18,036	13,640	1.90	167	145	40	3.63

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

(1) No principal or interest payments were schedule fiscal years 2003-2006 for Special Assessment Bonds.

City of Jackson
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (3)	Median Age (4)	Education Level in Years of Formal Schooling (2)	School Enrollment (2)	Unemployment Rate (3)
2007	184,256	5,860,815	31,808	31.9	12.3	31,000	5.0%
2006	184,256	5,744,549	31,177	31.9	12.3	32,403	4.4%
2005	184,256	5,308,231	28,809	31.0	12.3	32,000	8.3%
2004	184,256	5,308,231	28,809	34.3	12.3	31,580	4.5%
2003	184,256	5,053,774	27,428	34.2	12.3	31,508	5.0%
2002	184,256	5,053,774	27,428	34.2	12.3	31,240	5.5%
2001	184,256	4,699,634	25,506	34.2	12.3	31,436	4.5%
2000	184,256	4,522,011	24,542	34.0	12.3	31,400	5.1%
1999	202,062	4,491,232	22,227	33.7	12.3	31,400	3.5%
1998	202,062	4,362,923	21,592	32.3	12.3	32,071	4.4%

Data Sources

- (1) Mississippi Census Bureau
- (2) Jackson Public Schools Program Evaluation
- (3) Mississippi Employment Security Commission
- (4) Mississippi Census Bureau

**City of Jackson
Principal Employers
Current Year and Nine Years Ago**

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of Mississippi	27,100	1	14.71%			
University of Mississippi	9,000	2	4.88%			
U.S. Government	5,600	3	3.04%			
Jackson Public School District	4,500	4	2.44%			
Baptist Health Systems	2,700	5	1.47%			
City of Jackson, Mississippi	2,465	6	1.34%			
St. Dominic Health Services	2,300	7	1.25%			
Trustmark National Bank	1,670	8	0.91%			
Saks, Inc.	1,440	9	0.78%			
Jackson State University	1,400	10	0.76%			
	<u>58,175</u>		<u>31.57%</u>			

Source: Mississippi Employment Security Commission

Note: Data for 1998 is currently not available.

City of Jackson
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees by Function									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
General government	250	300	304.5	299.5	311	304	379	384	398	342
Public safety										
Police										
Officers	425	468	490	490	458	429	429	416	362	368
Civilians	291	174	284	284	296	296	296	321	300	308
Fire										
Firefighters and officers	351	356	353	631	376	367	394	384	367	359
Civilians	7	8	12	11	13	13	18	18	17	19
Public works	552	625	645	606	608	648	673	687	670	637
Culture and Recreation	381	424	436.5	452.5	465	454	530	565.5	516	468
Planning and Development	80	77	88	90	96	101	101	102.5	92	97
Total	2337	2432	2613	2864	2623	2612	2820	2878	2722	2598

Source: City of Jackson Budget Office.

City of Jackson
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police										
Parking violations	14,832	20,490	25,994	24,970	27,937	22,092	30,586	38,438	43,861	46,283
Traffic violations	25,314	30,061	36,837	47,324	48,587	41,682	37,945	36,369	31,269	34,318
Fire										
Number of call answered	7,342	12,259	12,856	12,602	12,823	-	-	-	-	-
Inspections (3)	4,500	4,086	4,626	3,727	4,229	5,518	-	-	-	-
Highways and streets										
Street resurfacing (miles)	5.6	7.1	5.9	9.5	16.0	6.3	13.3	19.8	60.6	50.5
Potholes repaired (2)	3,626	4,011	5,014	5,724	2,194	-	-	-	-	-
Sanitation										
Refuse collected (tons/day)	2,398.4	1,447.8	1,420.7	3,612.3	3,401.0	4,233.3	2,343.0	1,459.3	1,716.4	1,877.5
Recyclables collected (tons/day)(1)	90.77	99.68	85.95	-	-	-	-	-	-	-
Culture and recreation										
Community center admissions (3)	101	95	115	168	-	-	-	-	-	-
Water										
New connections	530	602	399	501	517	515	594	592	619	521
Water mains breaks	938	1,088	874	955	1,051	1,102	1,817	1,743	-	-
Average daily consumption (thousands of gallons) (3)	19,440	21,530	20,630	21,160	21,250	23,700	24,120	25,290	-	-
Wastewater										
Average daily sewage treatment (thousands of gallons)	47,200	42,100	47,200	46,100	52,400	45,600	43,900	37,300	38,400	4,210

Source: Various City of Jackson departments.

(1) The City of Jackson Sanitation Division implemented their recycling program in March 2005.

(2) The City of Jackson Streets Division implemented a new system of reporting potholes. Therefore data for fiscal years 1997-2002 is not available.

(3) The dashes indicate data that is not available.

City of Jackson
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Public safety										
Police stations	5	5	5	5	5	5	5	5	5	5
Fire stations	22	21	21	21	21	21	21	21	21	21
Highways and streets										
Streets (miles)	1,428	1,428	1,428	1,428	1,435	1,435	1,435	1,425	1,435	1,425
Traffic signals	333	332	332	332	-	-	-	-	-	-
Culture and recreation										
Parks	54	54	54	54	54	54	54	52	52	52
Swimming pools	9	9	9	9	9	9	9	9	9	9
Tennis courts	61	61	61	61	61	61	61	61	61	61
Community centers	10	10	10	10	10	10	10	10	10	15
Water										
Water mains (miles)	1,220	1,220	1,220	1,220	1,220	1,220	1,214	1,214	1,212	1,212
Fire hydrants	7,500	7,500	-	-	-	-	-	-	-	-
Maximum daily capacity (thousands of gallons)	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000	25,600,000	26,778,400
Sewer										
Sanitary sewers (miles)	911	909	909	909	909	909	906	906	904	902
Storms sewers (miles)	460	460	460	460	460	460	450	450	416	411

Source: Various City of Jackson departments.
(1) The dashes indicate data that is not available.

SINGLE AUDIT

**CITY OF JACKSON
SCHEDULE OF BONDS OF CITY OFFICIALS
SEPTEMBER 30, 2007**

1) Company: Bryson Insurance Agency

Limits of liability: Honesty Blanket
Position Bond Coverage

<u>Position</u>	<u>Coverage per each</u>	<u>Term of bond</u>
All employees except City Council (7) Mayor, City Administrative Officer, Director of Administration, Chief of Police, Deputy Chief of Police, City Clerk, Deputy Clerk (8)	\$100,000	03/28/06 -03/28/08

2) Company: Porter's Insurance Agency
Bryson Insurance Agency
Boyles Moak Brickell Marchetti
Statewide General Insurance

Limits of liability: Surety Bond coverage as follows:

<u>Position</u>	<u>Coverage per each</u>	<u>Term of bond</u>
City Council (7)	\$100,000	07/04/06 - 07/04/08
Mayor	\$100,000	07/04/06 - 07/04/08
City Administrative Officer	\$50,000	07/04/06 - 07/04/08
City Clerk	\$50,000	05/01/06 - 05/01/08
Director of Administration	\$50,000	05/16/06 - 12/31/08
Chief of Police	\$50,000	07/05/06 - 07/05/08
Deputy Chief of Police	\$25,000	04/01/06 - 04/01/08
Deputy Clerk (6)	\$10,000	04/01/06 - 04/01/08
Deputy Clerk	\$10,000	08/22/06 - 08/22/08
Deputy Clerk	\$10,000	02/01/06 - 02/01/08

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

The Honorable Mayor Frank E. Melton
and Honorable Members of the City Council
City of Jackson, Mississippi

**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

We have audited the financial statements of the City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2007, and have issued our report thereon dated May 30, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not to express an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting presented as findings 2007-1 through 2007-6.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. 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 significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings 2007-1, 2007-3, 2007-4, 2007-5 and 2007-6 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as findings 2007-10 and 2007-11.

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

Smith, Turner & Reese P.A.

Bruno & Tervalon LLP

Jackson, Mississippi
May 30, 2008

The Honorable Mayor Frank E. Melton
and Honorable Members of the City Council
City of Jackson, Mississippi

**Independent Auditors' Report on Compliance
With State Laws and Regulations**

We have audited the financial statements of the City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2007, and have issued our report thereon dated May 30, 2008. 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.

As required by the state legal compliance program prescribed by the Office of State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings have been corrected.

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

Smith, Turner & Reeves P.A.

Bruno & Tervalon LLP

Jackson, Mississippi
May 30, 2008

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/07
<u>U.S. Department of Health and Human Services</u>				
Direct Program				
Metropolitan Medical Response System	93.000	233-01-0043	\$ 255,536	\$ 493,876
SUBTOTAL CFDA NUMBER 93.000			<u>255,536</u>	<u>493,876</u>
Social Services Block Grant (Central MS Planning and Development District - Pass Through)				
Outreach	93.667	377-H-25	10,000	10,000
SUBTOTAL CFDA NUMBER 93.667			<u>10,000</u>	<u>10,000</u>
Special Programs for the Aging Title III, Part C, Nutrition Services (Central MS Planning and Development District - Pass Through)				
Congregate Nutrition Program (Non-cash)	93.045	378-H-25	77,698	77,698
SUBTOTAL CFDA NUMBER 93.045			<u>77,698</u>	<u>77,698</u>
(State of MS Office of Child Nutrition - Pass Through)				
Child Care Development Block Grant	93.575	625Q671	1,081,680	1,081,680
SUBTOTAL CFDA NUMBER 93.575			<u>1,081,680</u>	<u>1,081,680</u>
(Mississippi Development Authority - Pass Through)				
Urban Enterprise Grant	93.585	EZ03-EZ/Urban	32,300	2,039,758
SUBTOTAL CFDA NUMBER 93.585			<u>32,300</u>	<u>2,039,758</u>
Title XX-Social Services Block Grant (Central MS Planning and Development District - Pass Through)				
Transportation	93.667	396-Z-25	19,810	94,577
Transportation	93.667	396-A-25	116,071	116,071
Home Delivered Meals (Non-cash)	93.667	396-A-25	173,160	173,160
SUBTOTAL CFDA NUMBER 93.667			<u>309,041</u>	<u>383,808</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,766,255</u>	<u>4,086,820</u>
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant				
Community Development Block Grant	14.218	B-04-MC-28-0003	508,239	2,981,665
Community Development Block Grant	14.218	B-05-MC-28-0003	929,436	929,436
SUBTOTAL CFDA NUMBER 14.218			<u>1,437,675</u>	<u>3,911,101</u>
Emergency Shelter Grants Program				
Emergency Shelter Grants Program	14.231	S-05-MC-28-0002	37,488	111,924
Emergency Shelter Grants Program	14.231	S-06-MC-28-0002	73,455	73,455
SUBTOTAL CFDA NUMBER 14.231			<u>110,943</u>	<u>185,379</u>
HOME Investment Partnership Program				
HOME Investment Partnership Program	14.239	M-99-MC-28-0200	32,782	1,429,000
HOME Investment Partnership Program	14.239	M-00-MC-28-0200	186,260	1,439,354
HOME Investment Partnership Program	14.239	M-01-MC-28-0200	275,721	1,311,090
HOME Investment Partnership Program	14.239	M-02-MC-28-0200	56,398	1,649,536
HOME Investment Partnership Program	14.239	M-03-MC-28-0200	575,071	1,042,536
HOME Investment Partnership Program	14.239	M-04-MC-28-0200	526,947	656,058
SUBTOTAL CFDA NUMBER 14.239			<u>1,653,179</u>	<u>7,527,574</u>
Housing Opportunities for Persons with AIDS				
Housing Opportunities for Persons with AIDS	14.241	MS-H05-05-F001	532,855	998,000
Housing Opportunities for Persons with AIDS	14.241	MS-H06-06-F001	240,886	240,886
SUBTOTAL CFDA NUMBER 14.241			<u>773,741</u>	<u>1,238,886</u>
Brownfield Economic Development Initiative				
Brownfield Economic Development Initiative	14.246	B-00-SP-MS-0212	284,377	1,295,000
Brownfield Economic Development Initiative	14.246	B-01-SP-MS-0744	25,915	382,128
Brownfield Economic Development Initiative	14.246	B-02-SP-MS-0352	-	1,768
Brownfield Economic Development Initiative	14.246	B-03-SP-MS-0402	6,325	6,325
Brownfield Economic Development Initiative	14.246	B-05-SP-MS-0141	783,660	783,660
SUBTOTAL CFDA NUMBER 14.246			<u>1,100,277</u>	<u>2,468,881</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>5,075,815</u>	<u>15,331,821</u>

The accompanying notes are an integral part of this schedule. See auditor's report on supplementary schedules

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/07
<u>U.S. Department of Justice</u>				
(Mississippi Department of Public Safety - Pass Through)				
Juvenile Accountability Incentive Block Grant	16.523	03JB2191	\$ 105,393	\$ 235,589
SUBTOTAL CFDA NUMBER 16.523			<u>105,393</u>	<u>235,589</u>
Direct Program:				
Developing, Testing And Demonstrating New Programs	16.541	2003-JS-FX-0007	20,068	296,490
SUBTOTAL CFDA NUMBER 16.541			<u>20,068</u>	<u>296,490</u>
(Mississippi Department of Public Safety - Pass Through)				
Edward Byrne Memorial Formula Grant Program	16.579	5NW2191	49,146	49,146
SUBTOTAL CFDA NUMBER 16.579			<u>49,146</u>	<u>49,146</u>
Stop Violence Against Women Formula Grant	16.588	05SL2191	47,319	47,319
SUBTOTAL CFDA NUMBER 16.588			<u>47,319</u>	<u>47,319</u>
Direct Programs:				
Local Law Enforcement Block Grant Program	16.592	2004-LB-BX-1473	-	29,817
SUBTOTAL CFDA NUMBER 16.592			<u>-</u>	<u>29,817</u>
Community Capacity Development Office	16.595	05-WS-Q5-0273	80,646	80,646
Community Capacity Development Office	16.595	05-WS-Q5-0274	94,341	236,944
SUBTOTAL CFDA NUMBER 16.595			<u>174,987</u>	<u>317,590</u>
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2003DDBX0345	137,877	910,294
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2004CKWX0203	56,580	98,652
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2004DDB41389	386,800	698,609
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2005DDBX1170	3,467	244,882
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2006RGCX0017	270,575	270,575
SUBTOTAL CFDA NUMBER 16.580			<u>855,299</u>	<u>2,223,012</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005DJBX0981	56,239	196,419
SUBTOTAL CFDA NUMBER 16.738			<u>56,239</u>	<u>196,419</u>
Public Safety Partnership & Community Policing Grant	16.710	95ULWX0025	658,502	5,535,445
SUBTOTAL CFDA NUMBER 16.710			<u>658,502</u>	<u>5,535,445</u>
Community Prosecution and Project Safe Neighborhood	16.609	03PS2191	99,231	146,614
SUBTOTAL CFDA NUMBER 16.609			<u>99,231</u>	<u>146,614</u>
Developing, Testing And Demonstrating New Programs	16.541	2005-JL-FX-0262	64,414	165,411
Developing, Testing And Demonstrating New Programs	16.541	2006-JL-FX-0079	69,374	70,049
SUBTOTAL CFDA NUMBER 16.541			<u>133,788</u>	<u>235,460</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>2,199,972</u>	<u>9,312,901</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
O. B. Curtis Water Project	66.606	XP-97435701-3	1,349,400	2,787,800
SUBTOTAL CFDA NUMBER 66.606			<u>1,349,400</u>	<u>2,787,800</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>1,349,400</u>	<u>2,787,800</u>
<u>U.S. Office of National Drug Control Policy</u>				
(MS Gulf Coast HIDTA - Pass Through)				
High Intensity Drug Trafficking Area (HIDTA)	07.999	16PGCP523Z	81,303	90,815
SUBTOTAL CFDA NUMBER 07.999			<u>81,303</u>	<u>90,815</u>
TOTAL U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			<u>81,303</u>	<u>90,815</u>

The accompanying notes are an integral part of this schedule. See auditor's report on supplementary schedules

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/07
<u>U.S. Department of Transportation</u>				
Federal Transit Authority				
Direct Programs:				
Federal Transit Formula Grants	20.507	MS-03-00-12	\$ -	\$ 1,913,848
Federal Transit Formula Grants	20.507	MS-03-00-14	-	2,028,645
Federal Transit Formula Grants	20.507	MS-90-X0-65	-	0
Federal Transit Formula Grants	20.507	MS-90-X0-70	-	6,082,154
Federal Transit Formula Grants	20.507	MS-90-X0-72	2,805,030	6,178,244
SUBTOTAL CFDA NUMBER 20.507			<u>2,805,030</u>	<u>16,202,891</u>
Federal Transit Capital Investment Grants	20.500	MS-03-00-13	303,768	5,115,818
SUBTOTAL CFDA NUMBER 20.500			<u>303,768</u>	<u>5,115,818</u>
Highway Planning and Construction (TS-204)	20.205	STP/G-0250(13A)	116,358	1,810,865
SUBTOTAL CFDA NUMBER 20.205		048-0250-00-013-10	<u>116,358</u>	<u>1,810,865</u>
Highway Planning and Construction (High Street)	20.205	STP-7262-(2)-49-7262	41,792	6,252,088
SUBTOTAL CFDA NUMBER 20.205			<u>41,792</u>	<u>6,252,088</u>
Highway Planning and Construction (Traffic Calming)	20.205	TCSP-0250(21)/103924	66,890	66,890
SUBTOTAL CFDA NUMBER 20.205			<u>66,890</u>	<u>66,890</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>3,333,838</u>	<u>29,448,552</u>
<u>U.S. Department of Labor</u>				
Older Americans Act				
(Central Mississippi Planning and Development District - Pass Through)				
Senior Community Service Employment Program (Title V)	17.235	398-E-25	14,197	16,601
Senior Community Service Employment Program (Title V)	17.235	398-F-25	10,449	10,449
(Senior Service America, Inc. - Pass Through)				
Senior Aides - Title V	17.235	AD-13734-04-60	303,203	303,203
SUBTOTAL CFDA NUMBER 17.235			<u>327,849</u>	<u>330,253</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>327,849</u>	<u>330,253</u>
<u>U.S. Department of Agriculture</u>				
Direct Program:				
(Natural Resource Conservation Service - Pass Through)				
Conservation Technical Assistance Grant	10.000	68-4423-08-1362/06-1631	296,196	296,196
SUBTOTAL CFDA NUMBER 10.000			<u>296,196</u>	<u>296,196</u>
Food and Nutrition Service (MS Department of Education - Pass Through)				
Child and Adult Care Food Program	10.558	V0000718080	294,702	294,702
SUBTOTAL CFDA NUMBER 10.558			<u>294,702</u>	<u>294,702</u>
Summer Food Service Program for Children	10.559	V0000718080	76,424	76,424
SUBTOTAL CFDA NUMBER 10.559			<u>76,424</u>	<u>76,424</u>
(Central Mississippi Planning and Development District - Pass Through)				
Commodity Supplemental Food Program	10.565	396-A-25	53,351	53,351
Commodity Supplemental Food Program	10.565	378-H-25	27,041	27,041
SUBTOTAL CFDA NUMBER 10.565			<u>80,392</u>	<u>80,392</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>747,714</u>	<u>747,714</u>

The accompanying notes are an integral part of this schedule. See auditor's report on supplementary schedules

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/07
<u>U.S. Institute of Museum and Library Service</u>				
National Leadership Grants	45.312	CM-00-03-0045-03	\$ 22,053	\$ 68,058
SUBTOTAL CFDA NUMBER 45.312			<u>22,053</u>	<u>68,058</u>
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICE			<u>22,053</u>	<u>68,058</u>
<u>U.S. Department of Homeland Security</u>				
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-04HS221	-	6,790
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-05HS221	112,665	112,665
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-04LE221	29,757	209,887
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-05LE221	-	81,175
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-3SSG-2022	-	315,094
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-3SSG-5027	-	5,197
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-3SSG-5028	-	7,599
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-3SUP-52	129,236	264,267
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	CCRT	138,197	656,944
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-3SSGE-8007	-	109,304
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.004	MEMA-04-FG20699	-	156,303
SUBTOTAL CFDA NUMBER 97.004			<u>409,855</u>	<u>1,918,435</u>
Mississippi Emergency Management Agency (Pass-Through) State Domestic Preparedness Technical Assistance Program	97.036	FEMA-1459-DR-MS	-	281,179
SUBTOTAL CFDA NUMBER 97.036			<u>-</u>	<u>281,179</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>409,855</u>	<u>2,199,614</u>
<u>Mississippi Commission for Volunteer Service</u>				
AMERICORPS	94.006	06AC059003	284,481	289,324
SUBTOTAL CFDA NUMBER 94.006			<u>284,481</u>	<u>289,324</u>
TOTAL MISSISSIPPI COMMISSION FOR VOLUNTEER SERVICE			<u>284,481</u>	<u>289,324</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 15,598,535</u>	<u>\$ 64,693,672</u>

The accompanying notes are an integral part of this schedule. See auditor's report on supplementary schedules

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/07
<u>State of MS Commission on Environmental Quality</u>				
<u>(Department of Environmental Quality)</u>				
The City of Jackson has the following loans payable to the Department of Environmental Quality at September 30, 2007 which were used for sewer improvements and to construct pollution control facilities.				
Capitalization Grants for Clean Water State Revolving Funds 4% note dated September 30, 1992	66.458	SRF-C280785-01-0	-	\$ 2,990,340
Capitalization Grants for Clean Water State Revolving Funds 4.5% note dated January 30, 1995	66.458	SRF-C280785-02-1	-	1,020,222
Capitalization Grants for Clean Water State Revolving Funds 1.75% note dated July 1, 2003	66.458	SRF-C280886-01-1	-	1,837,440
Capitalization Grants for Clean Water State Revolving Funds 3.0% note dated June 1, 2003	66.458	SRF-C280785-04-2	-	4,619,169
Capitalization Grants for Clean Water State Revolving Funds 4.5% note dated September 30, 1994 as amended March 1996	66.458	SRF-C280785-03-1	-	1,596,103
Capitalization Grants for Clean Water State Revolving Funds 3.75% note dated September 1, 1999	66.458	SRF-C280838-01-1	-	4,778,109
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280738-01-1	-	2,163,838
TOTAL DEPARTMENT OF ENVIRONMENTAL QUALITY				<u>\$ 19,005,221</u>

CITY OF JACKSON
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

NOTE 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant Activity of the City of Jackson and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE 2. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$ 503,326
Home Investment Partnership Program	14.239	1,590,701
Emergency Shelter Grant Program	14.231	110,170
Urban Enterprise Grant	93.585	<u>10,000</u>
Total		<u>\$ 2,214,197</u>



The Honorable Mayor Frank E. Melton
and Honorable Members of the City Council
City of Jackson, Mississippi

**Independent Auditor's Report on Compliance With Requirements Applicable
to Each Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of the City of Jackson, Mississippi (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 September 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in findings 2007-9, 2007-10 and 2007-11 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding the Davis-Bacon Act, Federal Financial Reporting/Cash Management and Allowable Cost that are applicable to CFDA #16.710, CFDA #20.500 and CFDA #20.507 federal financial assistance programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Jackson, Mississippi 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 September 30, 2007.

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 an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2007-7 and 2007-8 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider findings 2007-7 and 2007-8 to be material weaknesses.

The City's response to the findings as identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Bruno & Tervalon LLP

Jackson, Mississippi
May 30, 2008

CITY OF JACKSON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2007

2006-1 FINDING NO. 1 – SECTION 2

Condition: We determined there is no procedure to account for all issued tickets processed after the tickets are returned to Traffic and Court Services. This finding was communicated to the City in the prior examination and no corrective action has been taken.

Recommendation: Management should develop procedures to ensure all tickets are returned promptly after issuance and properly recorded.

Current Status: Not Corrected

2006-2 FINDING NO. 2 – SECTION 2

Condition: The Utility Management System (hardware) was down for 45 days in 2005. The Water and Sewer Department, for all practical purposes, was shut down. They were able to accept payments but were unable to post them. They were unable to read meters and to process sales. This condition resulted from the lack of an effective disaster recovery policy. This finding was communicated to the City in the prior examination. We understand that a backup unit for the system has been purchased with daily backups being taken off site. However, given the significance of this application to the City's financial condition and the antiquated nature of the present system, a complete written disaster plan is needed.

Recommendation: The Water and Sewer Department, as well as all of the other departments at the City should have in place an effective disaster recovery plan to prevent business disruption whether caused by an internal problem or natural disaster.

Current Status: Not Corrected

Condition: There are procedures in place to reconcile customer accounts receivable transactions in the water/sewer/sanitation billing system to amounts recorded in the City's general ledger. Additionally, no procedure exists for periodic review and determination of the appropriate allowance for doubtful accounts to be recorded so as to state the net customer accounts receivable balances at realizable value in accordance with generally accepted accounting principles.

Recommendation: The responsibility for reconciling the accounts and developing the appropriate allowance for uncollectible accounts should be assigned to a City employee. The reconciliation procedure may require significant software changes to affect accurate reconciliations in this area. The reconciliation should be done monthly and the provision for uncollectible accounts should be adjusted at least quarterly.

Current Status: Corrected

2006-3 – FINDING NO. 3 – SECTION 2

Condition: The City should improve its controls over information technology. Various issues were discovered that place the City at risk for network outages and security breaches, as well as critical system failures. This finding was communicated to the City in the prior examination and no corrective action has been taken.

Recommendation: The auditors recommended that the City should undertake a comprehensive review of its Information Technology System. Such a review should include placing a high priority on replacement of the Water/Sewer/Sanitation billing application programs. The deficiencies are discussed in more detail in a separate letter to the City.

Current Status: Corrected

2006-4 – FINDING NO. 4 – SECTION 2

Condition: The City's procedures do not include account review and reconciliations in a number of significant account balances and transactions classes. This finding was communicated to the City in the prior examination and no corrective action has been taken. Additionally, the City does not have an adequate system for accounting for its land, buildings and infrastructure records.

Recommendation: The auditors recommended that the City assign the responsibility for performing periodic account review and reconciliations of significant asset and liability accounts to an appropriately trained employee. The procedures should include standards for documentation of work performed as well as documentation that the work has been reviewed by supervisory personnel. Additionally, the fixed assets records should be improved by incorporating the records into ledger system.

Current Status: Corrected

2006-5 – FINDING NO. 5 – SECTION 2

Condition: The City does not have established procedures to ensure that its external financial statements are free from material errors. As result, it was necessary for the auditor to propose a number of revisions to the footnotes to the financial statements to enable the disclosures to be in accordance with generally accepted accounting principles as well as to identify accounts and balances where material adjustment were required.

Recommendation: The auditors recommended that the City consider hiring additional personnel who have adequate training and experience in preparation of financial statements in accordance with generally acceptable accounting principles. Additionally, internal control procedures should be implemented to ensure that the financial statements are free from material error or misstatement, such as a process of review by a second party, preparation of a disclosure checklist and other similar procedures.

Current Status: Corrected

2006-6 – FINDING NO. 6 – SECTION 2

Condition: The Single Audit of the City for the year ended September 30, 2006 was not completed within the stipulated required nine (9) month period after the City's fiscal year end.

Recommendation: The auditors recommended that the City take necessary steps to ensure that grant records are maintained on a current basis and available for audit to guard against future delays in completion of the required audit.

Current Status: Corrected

2006-7 – FINDING NO. 7 – SECTION 3

Condition: The City's procedures for administration of grants do not provide for appropriate oversight and monitoring of a major area of the City's financial transactions.

Recommendation: The auditors recommended that the City adopt appropriate monitoring of its grants administration to provide effective oversight. Such oversight should ensure that grants administration personnel are appropriately trained and grants records and reports are subjected to review procedures to provide reasonable assurance of compliance with grant requirements.

Current Status: Not Corrected

2006-8 – FINDING NO. 8 – SECTION 3

Condition: The City did not file the required Financial Status Reports and Performance Reports for each grant applicable to the fiscal year ended September 30, 2006 on a timely basis.

Grants Affected:

- CFDA #16.710 U.S. Department of Justice
COPS Universal Hiring Grant
- CFDA #20.500 U.S. Department of Transportation
Federal Transit Administration Grant
- CFDA #20.507 U.S. Department of Transportation
Federal Transit Administration Grant
- CFDA #97.004 U.S. Department of Homeland Security
FEMA Disaster Recovery Grant

Recommendation: The auditors recommended that the City management take necessary actions to ensure that grant reports are prepared and submitted on a timely basis.

Current Status: Not Corrected

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

Section 1: Summary of Auditors' Results

General Purpose Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditors' report issued on the general purpose financial statements. | Unqualified |
| 2. | Material noncompliance related to the financial statements. | Yes |
| 3. | Internal control over financial reporting: | |
| | 1. Material weaknesses identified | Yes |
| | 2. Significant deficiencies identified that are not considered to be material weaknesses. | Yes |

Federal Awards:

- | | | |
|----|--|-----------|
| 4. | Type of auditors' report issued on compliance with major federal programs. | Qualified |
| 5. | Internal control over major programs: | |
| | 1. Material weaknesses identified? | Yes |
| | 2. Significant deficiencies that are not considered to be material weaknesses | No |
| 6. | Any audit findings reported as required by Section ____, 510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. CFDA #14.218 U.S. Department of Housing and Urban Development
Community Development Block Grant | |
| | b. CFDA #14.239 U.S. Department of Housing and Urban Development
HOME Investment Partnership Program | |
| | c. CFDA #14.241 U.S. Department of Housing and Urban Development
Housing Opportunities for Persons with AIDS (HOPWA) | |
| | d. CFDA #14.246 U.S. Department of Housing and Urban Development
Brownfield Economic Development Initiative | |
| | e. CFDA #16.580 U.S. Department of Justice
Edward Byrne Memorial State & Local Law Enforcement Assistance
Discretionary Grants Program | |
| | f. CFDA #16.710 U.S. Department of Justice
Public Safety Partnership & Community Policing Grant | |
| | g. CFDA #20.500 U.S. Department of Transportation
Federal Transit Administration Grant | |
| | h. CFDA #20.507 U.S. Department of Transportation
Federal Transit Formula Grant | |

- i. CFDA #66.606 U.S. Environmental Protection Agency
O. B. Curtis Water Project
 - j. CFDA #93.575 U.S. Department of Health and Human Services
Child Care Development Block Grant
 - k. CFDA #97.004 U.S. Department of Homeland Security
State Domestic Preparedness Technical Assistance Program
 - l. CFDA #94.006 Americorps
8. Dollar threshold used to distinguish between type A and B programs. \$467,956
9. The City of Jackson qualified as a low-risk auditee. No

Schedule of Findings and Questioned Costs - Continued

Section 2: Findings Relating to the Financial Statements Audit

2007-1 Municipal Court

Ineffective Controls Over Traffic Tickets Issued

Statement of Condition

We determined there is no procedure to account for all issued tickets processed after the tickets are returned to Traffic and Court Services. This finding was communicated to the City in the prior examination and no corrective action has been taken.

Criteria

Appropriate controls should be in place to account for all tickets issued to ensure that issued tickets are input into the ticket system or otherwise accounted for.

Cause of Condition

Lack of procedures for accounting for issued and returned tickets.

Effect of Condition

Tickets could be issued and never recorded in the system.

Auditors' Recommendation

Management should develop procedures to ensure all tickets are returned promptly after issuance and properly recorded.

2007-2 Water, Sewer and Sanitation Billing and Revenue Accounting

Ineffective Disaster Recovery Plan

Statement of Condition

The City is lacking an effective disaster recovery plan for its water, sewer and sanitation billing system. This situation leaves the water, sewer and sanitation billings open to loss of information and loss of revenue. While the City as apparently made some advances in data backup to allow recovery, an effective disaster recovery plan should contain written procedures on how the City can recover from various types of disasters or systems failures. This finding was communicated to the City in the previous examination.

Criteria

Established procedures should be in place to recover from a major system failure to prevent loss of data continuity of operations.

Schedule of Findings and Questioned Costs - Continued

Cause of Condition

The lack of an effective and comprehensive disaster recovery plan prevented the City from posting receipts and sales upon the shutdown of their primary system.

Effect of Condition

The lack of an adequate recovery plan on the City's water, sewer and sanitation billing procedures could result in material losses in revenues to the City in the event of another failure.

Auditors' Recommendation

The Water and Sewer Department, as well as all of the other departments at the City should have in place an effective disaster recovery plan to prevent business disruption whether caused by an internal problem or a natural disaster.

2007-3 Information Technology Infrastructure

Statement of Condition

The City should improve its controls over information technology. Various issues were discovered that place the City at risk for network outages and security breaches, as well as critical system failures. A comprehensive disaster plan should be developed to ensure that mission critical applications can be maintained. Although the City has made some improvements in its systems, the City continues to have single points of failure and several key applications have not been addressed from a disaster recovery standpoint. This finding was communicated to the City in the prior examination and no corrective action has been taken.

Criteria

Appropriate consideration should be given to risk analysis related to failures of the information technology. Plans should be in place to protect the City and allow for timely recovery if disasters or equipment failure occur.

Cause of Condition

The City has not provided significant recourses for critical planning and security in the information technology area.

Effect of Condition

A failure of critical applications could limit the ability of the City to operate for an extended period of time such as what happened to the City's Water/Sewer/Sanitation billing applications in 2005. The Water/Sewer/Sanitation billing program is highly vulnerable to additional failures.

Auditors' Recommendation

The City should undertake a comprehensive review of its Information Technology System. Such a review should include placing a high priority on replacement of the Water/Sewer/Sanitation billing application programs. Sufficient financial resources should be allocated to ensure that effective systems controls can be implemented.

Schedule of Findings and Questioned Costs – Continued

2007-4 Financial Record Maintenance Procedures

Statement of Condition

The City's procedures do not include account review and reconciliations in a number of significant account balances and transactions classes. This finding was communicated to the City in the prior examination and no corrective action has been taken. Our 2007 audit revealed there is a lack of adequate support and a lack of an appropriate level of review of journal entries.

Additionally, the City does not have an adequate system for accounting for its land, buildings and infrastructure records. A similar finding was communicated in the prior audit. Although the City as added additional staff in accounting and internal audit toward the end of its fiscal year, no changes in controls over financial recordkeeping have been implemented during 2007.

Criteria

Appropriate accounting procedures should exist to check the accuracy and internal integrity of information in the accounting system in order to provide the City with the ability to prepare accurate and timely financial reports.

Cause of Condition

Adequate personnel resources have not been devoted to performing necessary procedures.

Effect of Condition

Significant errors can occur in the accounting process and not detected in a timely manner. Our audit revealed that material adjustments were required in cash balances, investment and related earnings, and grant receivables that were not detected by City employees in the course of performing their accounting duties. We also noted errors in preparation of journal entries resulting in material misstatement of fund assets and revenues both in the funds or recorded in the wrong funds. We further noted that errors determined through bank reconciliation procedures were not corrected in a timely manner. Such errors, if uncorrected, can result in the financial statements being materially misstated.

In addition, asset records for the City's land, buildings and infrastructure are being maintained on electronic spreadsheets which do not provide adequate detail of amounts contained therein.

Auditors' Recommendation

We recommend that the City assign the responsibility for performing periodic account review and reconciliations of significant asset and liability accounts to appropriately trained employees. The frequency of such reviews should be based on the risk associated with the potential misstatement of the accounts. The procedures should include written standards for documentation of work performed as well as documentation that the work has been reviewed by appropriate supervisory personnel. Additionally, the fixed assets records should be improved by incorporating the records into fixed asset ledger system.

Schedule of Findings and Questioned Costs – Continued

2007-5 Inadequate Design of Internal Control Over the Preparation of Financial Statements

Statement of Condition

The City does not have established procedures to ensure that its external financial statements are free from material errors. As a result, it was necessary for the auditor to propose a number of revisions to the footnotes to the financial statements to enable the disclosures to be in accordance with generally accepted accounting principles as well as to identify accounts and balances where material adjustments were required.

Criteria

The City's procedures related to preparation of external financial statement should ensure that the statements are prepared in accordance with generally accepted accounting principles such that there is not greater than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

Cause of Condition

Adequate personnel resources have not been devoted to review of the financial statement. Present procedures do not result in the financial statements being prepared in a timely manner to facilitate an appropriate review. For example, the 2007 statements were not completed in first draft form until two days prior to an expected issuance date of March 31. Additionally, the documentation supporting the compilation of individual fund information into completed financial statements and footnote disclosures is not being maintained in a manner which facilitates the review process.

Effect of Condition

The City's financial statements were materially misstated and the misstatements were not be detected by established internal controls.

Auditors' Recommendation

Internal control procedures should be implemented to ensure that the financial statements are free from material error or misstatement, such as a process of review by persons in the Department of Administration not directly involved in the preparation process, completion of a disclosure checklist and other similar procedures. Many of the errors in the financial statements that were determined by the audit were not technical accounting items but would have likely been detected by a critical reading of the statements by persons who are knowledgeable regarding City finances. However, the statements must be available for in a timely manner to allow for this review. Additionally, the City must maintain documentation which facilitates the review process.

2007-6 Lack of Separation of Duties in Cash Receipts

Statement of Condition

The City does not have an adequate process related to the receipt of funds from major revenue sources in the Treasurer's office to ensure that all funds are received and deposited in a timely manner.

Schedule of Findings and Questioned Costs – Continued

Criteria

There be adequate controls in place to ensure that checks received from major revenue sources are appropriately recorded and deposited in a timely manner. Checks received should be recorded immediately and deposited promptly. Further, procedures should be in place to investigate why funds expected to be received have not been received and deposited when expected.

Cause of Condition

There is a lack of separation of duties between persons who receive major revenue sources and those charged with the responsibility to monitor and review collection of funds which allows the failure to receive or deposit major revenues to go undetected.

Effect of Condition

Receipts for major collections may not be timely deposited, inaccurately recorded or not deposited at all without detection.

Auditors' Recommendation

We recommend that the City review its procedures for receipt and deposit of checks being received in the Treasurer's office. We recommend that no check be received directly by those personnel for monitoring the collection of funds. Additionally, there should be a reporting procedure established whereby the failure to receive and deposit major sources of revenue is reported timely to the Director of Administration so that appropriate action can be taken.

Schedule of Findings and Questioned Costs – Continued

Section 3: Federal Award Findings and Questioned Costs

2007-7 Federal Schedules of Expenditures

Federal Program And Specific Federal Award Identification

Applicable to All Federal Financial Assistance Awards

Statement of Condition

We noted during our audit significant weaknesses in internal control over compliance relating to the preparation of the Schedule of Expenditures of Federal Awards (the Schedule), identification of correct Catalog of Federal Domestic Assistance (CFDA) numbers, pass-through entities and other identifying federal financial assistance information. The identified weaknesses resulted from the following conditions:

- Program amounts used were based on draw downs and not actual expenditures;
- Selected programs initially included in the schedule and subsequently removed prior to finalization due to errors;
- Selected program titles in the schedule were not the official titles contained in the CFDA catalog;
- Selected program titles were recorded with incorrect CFDA numbers;

We understand that the City's staff prepared the schedule based on confirmations received from the funding agencies without checking the accuracy of the program names and CFDA numbers to the Catalog of Federal Domestic Assistance and other sources.

Criteria

Pursuant to the requirements of Office of Management and Budget (OMB) Circular A-133 Part III Subpart C - Auditees, Paragraph .300 - Auditee Responsibilities

"The Auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of pass-through entity;

Paragraph .310(b) - Financial Statements

"The auditee shall also prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements.... At a minimum the schedule shall include (1) list of Federal programs by Federal agency, (2) for Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity, and (3) provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available...."

Cause of Condition

Lack of adequate internal controls over financial reporting and federal grants management and, specifically, those controls related to the preparation of a schedule of expenditures of federal awards.

Effect of Condition

The City has not prepared an accurate schedule of expenditures of federal awards in compliance with Federal regulations pertaining to auditee responsibilities and maintenance of books and records in accordance with OMB Circular A-133.

Schedule of Findings and Questioned Costs – Continued

Questioned Costs

None

Auditors' Recommendation

We recommend that the management of the City strengthen internal controls relating to the preparation of its Schedule of Expenditures of Federal Awards to ensure the accuracy and completeness of its financial reporting function. This strengthening of internal controls should include, but not be limited to, conducting a complete inventory of its federal financial assistance awards and contracts and review of applicable award documents and contract files to ensure accuracy and completeness of all applicable identifying award information (CFDA number, contract number, program title and description, primary recipients, etc.) in the accounting books and records. Appropriate supervisory controls should also be established to ensure that work is reviewed to ensure accuracy and completeness of the schedule. We also recommend that management segregate expenditures between those charged to Federal programs and those charged to the general fund.

2007-8 Grant Management Procedures

Federal Program and Specific Federal Award Identification

Applicable To All Federal Financial Assistance Grants

Statement of Condition

The City's procedures for the administration of grants do not provide for appropriate oversight and monitoring of its federal award transactions. As a result, the City has not established and maintained effective internal controls over compliance with each of the compliance requirements applicable to its major federal programs.

Criteria

Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal compliance requirements, and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity. (Source: HUD Grants Administration Common Rule, paragraphs 85.20 and 85.40)

Cause of Condition

The grants administration is highly decentralized, with each department being responsible for all facets of grants administration. Additionally, effective internal controls have not been implemented either within the department or on a centralized basis to monitor grant activities to ensure that required compliance procedures or accounting requirements are being properly conducted.

Effect of Condition

The City might not comply with significant grant conditions resulting in large amounts of grants funds being required to be returned to granting agencies. As an example of this lack of effective oversight,

Schedule of Findings and Questioned Costs – Continued

our audit determined that two significant grants administration departments were unable to produce records supporting grant expenditures in a timely manner. Although one department was able to update its records to provide appropriate support for the affected grants, the lack of an adequate oversight and monitoring system allowed this condition to exist for a considerable period of time.

Auditors' Recommendation

We recommend the City adopt appropriate internal controls over its grants administration related to compliance in order to ensure that there is no greater than a remote chance of noncompliance with grants in amounts not more than inconsequential. Such controls should ensure that grants administration personnel are appropriately trained and grants records and reports are subjected to appropriate internal review procedures.

2007-9 Davis-Bacon Act

Federal Program and Specific Federal Award Identification

CFDA Title and Number

20.507 Federal Transit Formula Grant

Federal Agencies

Department of Transportation

Statements of Condition

We noted during our audit that management of the City of Jackson did not have procedures in place to monitor construction contracts for compliance with the Davis-Bacon Act.

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section D stipulates that a non-federal entity must ensure that contractors and sub-contractors are paid prevailing wage rates for projects covered by the Davis-Bacon Act.

Cause of Condition

The management of the City of Jackson does not have procedures in place to ensure that compliance with the Davis Bacon requirement was monitored.

Effect of Condition

The City of Jackson is not ensuring that construction contractors are paying employees prevailing wage rates as established by the Department of Labor as required by the terms of its grant agreement.

Questioned Costs

None.

Schedule of Findings and Questioned Costs – Continued

Auditors' Recommendation

We recommend that management of the City of Jackson establish procedures with regard to monitoring contractors and/or sub-contractors for compliance with the Davis-Bacon Act. Because of the decentralized operations with respect to grant management at the City of Jackson, we also recommend that management establish procedures to ensure that appropriate internal controls are in place to prevent or detect the failure to monitor contracts for compliance with the Davis-Bacon Act.

2007-10 Federal Financial Reporting/Cash Management

Federal Program and Specific Federal Award Identification

CFDA Title and Number

16.710 - Public Safety Partnership & Community Policing Grant
20.500 - Federal Transit Administration Grant
20.507 - Federal Transit Formula Grant

Federal Agencies

U.S. Department of Justice
U.S. Department of Transportation

Statement of Condition

During our audit, we noted that management of the City did not file the required Financial Reports for each of the above grants applicable to the fiscal year ended September 30, 2007.

We also noted that amounts drawn down for the Public Safety Partnership and Community Policing Grant (CFDA #16.710) were based on estimates and not actual expenditures. Management is in the process of attempting to reconcile a detail of police officers charged to program to those officers actually eligible to be charged to the program to those amounts actually drawn down during the year.

In addition to the above, we also noted that management failed to draw down approximately \$3 million dollars of eligible costs related to the Federal transit grant, resulting in a significant cash flow impact on City finances.

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section L stipulates that reports for federal awards shall include all activity of the reporting period, be supported by applicable accounting records, and be fairly presented in accordance with program requirements. Also, OMB Circular A-133 Compliance Supplement Part 4, Section L stipulates that cumulative draw down amounts should accurately reflect the grantee's actual disbursement of funds by award.

OMB Circular A-133 Compliance Supplement Part 3, Section C stipulates that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Schedule of Findings and Questioned Costs – Continued

Cause of Condition

Adequate personnel resources have not been devoted to performing necessary procedures and a lack of internal controls to prevent or detect non-timely and inaccurate reports or improper cash management.

Effect of Condition

Appropriate accounting and administrative procedures were not performed or were not performed timely.

Questioned Costs

None.

Auditors' Recommendation

We recommend that City management take necessary actions to ensure that grant reports are prepared and submitted on a timely basis, including establishing appropriate internal controls which will prevent or detect missed reporting deadlines. We further recommend that appropriate cash management procedures be established.

2007-11 Allowable Cost

Questioned Costs

\$658,502

Federal Program and Specific Federal Award Identification

CFDA Title and Number

16.710 - Public Safety Partnership and Community Policing Grant
20.500 - Federal Transit Administration Grant
20.507 - Federal Transit Formula Grants

Federal Agency

U.S. Department of Justice
U.S. Department of Transportation

Statement of Condition

We noted the following conditions during our audit of the Federal Transit Grants:

- Costs recorded in the general ledger are comprised of both grant expenditures and matching funds charged to the program. Management has not reviewed, monitored, and allocated expenditures between grant expenditures and expenditures charged to the matching funds on a regular basis, resulting in not having adequate records to support federal financial reports; and

Schedule of Findings and Questioned Costs – Continued

- Management also has not adequately reviewed those expenditures that were billed to the City by the JATRAN management company.

We noted the following condition during our audit of the Public Safety Partnership and Community Policing Grants program.

- During the course of the audit, we noted that management was unable to provide a detailed listing of police officers whose time was charged to the Public Safety Partnership and Community Policing Grant, due to personnel changes and missing documentation. However, prior to the issuance of the audit report, management was able to provide a listing of officers whose time was charged to the grant, but due to the timing of receipt of the listing and the need to issue the audit report, we were unable to audit the documentation provided by management, and as such we are questioning the amount charged to the program.

Criteria

OMB Circular A-133 Compliance Supplemental Part 3, Section B stipulates that direct costs must conform with the limitations or exclusions set forth in the circulars, Federal laws, state or local laws, sponsored agreements or other governing regulations as to types or amounts of costs items.

Cause of Condition

The City did not have appropriate internal controls in place to prevent or detect a failure of management to review supporting documentation on a timely basis or to maintain adequate records supporting grant expenditures.

Effect of Condition

Appropriate records are not being maintained to support costs claimed, resulting in noncompliance with applicable federal rules and regulations and the possibility that ineligible costs will be billed to the funding sources. Costs charged by the management company were not being reviewed and documentation was not being obtained to support costs billed.

Questioned Costs

For the purpose of the Federal Transit condition, we have not questioned any costs; internal controls should be strengthened to ensure compliance with compliance requirements. For the purpose of the Public Safety Partnership and Community Policing Grants program, we have questioned the entire costs charged to the program, which totaled \$658,502 as explained in the Statement of Conditions..

Auditors' Recommendation

We recommend that management take the necessary steps to ensure that all costs charged to federal programs are properly segregated from those matching costs being funded by the general fund. An allocation should be prepared and reviewed by management on a monthly basis. This allocation should be the basis for financial reports prepared by management.

We recommend that management prescribe procedures, which would require appropriate personnel to review and approve the expenditures submitted for reimbursement by the JATRAN management company.

We also recommend that management prescribe procedures requiring documentation to be maintained by management to support amounts billed to the funding source, which would enable information to be able to be audited timely.



CORRECTIVE ACTION PLAN

5/30/08

The City of Jackson respectfully submits the following corrective action plan for the year ended September 30, 2007.

Name and address of independent public accounting firm: Bruno & Tervalon LLP, CPAs and Smith, Turner & Reeves, 200 E. Capitol Street, Suite 100, Jackson MS 39201
Audit period: Year Ended September 30, 2007

The findings from the September 30, 2007 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule, Section 2 and Section 3 of the schedule, Summary of Audit Results.

2. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding No. 2007-1 MUNICIPAL COURT

Ineffective Controls Over Traffic Tickets Issued

Recommendation: The auditors' recommend management develop procedures to ensure that all tickets are returned promptly after issuance and properly recorded.

Action Taken: The City of Jackson Police Department will review the policy and procedures in reference to the police department's submission of traffic tickets to municipal court. The City of Jackson is recommending the Internal Audit department conduct quarterly reviews of all traffic tickets issued after being promptly returned and recorded in municipal court.

Finding No. 2007-2 WATER/SEWER AND SANITATION BILLING AND REVENUE ACCOUNTING

Ineffective Disaster Recovery Plan

Recommendation: The auditors' recommend the Water and Sewer Department, as well as all of the other departments at the City of Jackson, should have in place an effective disaster recovery plan to prevent business disruption whether caused by an internal problem or a natural disaster.

Action Taken: As part of the City's Emergency Operational Plan, plans are underway to implement disaster recovery plan for all city departments.

Finding No. 2007-3 INFORMATION TECHNOLOGY SECURITY

Recommendation: The auditors' recommend the City undertake a comprehensive review of its Information Technology System. Such a review should include placing a high priority on replacement of the Water/Sewer and Sanitation billing application programs. Sufficient financial resources should be allocated to ensure that effective systems controls can be implemented.

Action Taken: The City of Jackson performed a comprehensive review of its Information Technology System and installed a Security Appliance (firewall), VPN connector and MARS unit on its network. In addition, a specialized security software system was installed on the network to enforce enterprise security policies by regulating end-point behavior.

Finding No. 2007-4 FINANCIAL RECORD MAINTENANCE PROCEDURES

Recommendation: The auditors' recommend that the City assign the responsibility for performing periodic account review and reconciliations of significant asset and liability accounts to appropriately trained employee. The frequency of such reviews should be based on the risk associated with the potential misstatement of the accounts. The procedures should include written standards for documentation of work performed as well as documentation that the work has been reviewed by appropriate supervisory personnel. Additionally, the fixed assets records should be improved by incorporating the records into fixed asset ledger system.

Action Taken: The City of Jackson will evaluate and appropriately update its policies and procedures for account review and reconciliations of asset and liability accounts. The City of Jackson acknowledges a shortage of staff in the finance division. However, this does not pose a significant risk of not achieving the desired results. The City of Jackson will hire additional staff.

The City of Jackson will incorporate the fixed assets records into the fixed asset ledger system.

Finding No. 2007-5 INADEQUATE DESIGN OF INTERNAL CONTROL OVER THE PREPARATION OF FINANCIAL STATEMENTS

Recommendation: The auditors' recommend internal control procedures should be implemented to ensure that the financial statements are free from material error or misstatement, such as a process of review by persons in the Department of Administration not directly involved in the preparation process, completion of a disclosure checklist and other similar procedures. Many of the errors in the financial statements that were determined by the audit were not technical accounting items but would have likely been detected by a critical reading of the statements by persons who are knowledgeable regarding City finances. However, the statements must be available for in a timely manner to allow for this review. Additionally, the City must maintain documentation which facilitates the review process.

Action Taken: The City of Jackson will evaluate and appropriately update its policies and procedures for the preparation of financial statements. The City of Jackson acknowledges a shortage of staff in the finance division. However, this does not pose a significant risk of not achieving the desired results. The City of Jackson will hire additional staff.

Finding No. 2007-6 LACK OF SEPARATION OF DUTIES IN CASH RECEIPTS

Recommendation: The auditors' recommend that the City review its procedures for receipt and deposit of checks being received in the Treasurer's office. They recommend that no check be received directly by those personnel for monitoring the collection of funds. Additionally, there should be a reporting procedure established whereby the failure to receive and deposit major sources of revenue is reported timely to the Director of Administration so that appropriate action can be taken.

Action Taken: The City of Jackson will evaluate and appropriately update its policies and procedures for cash handling and collections. While we acknowledge an apparent lack of separation of duties with regard to the immediate recording and depositing of specific major revenue by persons who receive and those charged with monitoring and reviewing collections, this does not pose a significant risk of these revenues not being received or deposited by the municipality. Internal controls outside of the Treasury Division are in place as a check and balance to ensure revenue sources are received, coded and deposited correctly.

3. FINDINGS – MAJOR FEDERAL AWARDS PROGRAM FINDINGS AND QUESTIONED COSTS

Finding No. 2007-7 FEDERAL SCHEDULES OF EXPENDITURES

Recommendation: The auditor recommends that the City strengthen internal controls relating to the preparation of its Schedule of Expenditures of Federal Awards to ensure the accuracy and completeness of its financial reporting function. This strengthening of internal controls should include but not be limited to conducting a complete inventory of its federal financial assistance awards and contracts and review of applicable award documents and contract files to ensure accuracy and completeness of all applicable identifying award information (CFDA number, contract number, program title and description, primary recipients, etc.) in the accounting books and records. Appropriate supervisory controls procedures should also be established to ensure that work is reviewed to ensure accuracy and completeness of the schedule.

Action Taken: The City of Jackson has adopted policies and procedures that require all departments reconcile grant activity on a monthly basis. Department Directors will be responsible for ensuring all grant expenditures has been properly recorded and reconciled prior to submission to Finance. The City of Jackson will exercise due diligence in confirming the Catalog of Federal Domestic Assistance number using the grant confirmation letters along with additional sources. In addition, the City of Jackson Internal Audit Division will verify the CFDA# and grant title when a grant award is received.

Finding No. 2007-8 GRANT MANAGEMENT PROCEDURES

Recommendation: The auditor recommends the City adopt appropriate internal controls over its grants administration related to compliance in order to ensure that there is no greater than a remote chance of noncompliance with grants in amounts not more than inconsequential. Such controls should ensure that grants administration personnel are appropriately trained and grants records and reports are subjected to appropriate internal review procedures.

Action Taken: The City of Jackson Internal Audit division is reviewing software which will simply not allow the departments to expend funds unless they meet the requirements, i.e. timely filing of reports as the most workable solution given that there seem to be no consequences for failure to comply with grant requirements. The City of Jackson Internal Audit division has also provided additional training and required that all in attendance sign certifications. This is the first step in holding individuals accountable for their actions. We are also trying to ensure that the qualified individuals are hired in grant management positions, even though the positions are will and pleasure and do not require the same stringencies as civil service positions. We continue to coordinate with the Information Technology Division to find temporary solutions until our grants management program can be purchased. We have implemented the policies and procedures and are obtaining training for key grant management personnel.

Finding No. 2007-9 DAVIS-BACON ACT

Recommendation: The auditor recommends that management of the City of Jackson established procedures with regard to monitoring contractors and/or sub-contractors for compliance with the Davis-Bacon Act. Because of the decentralized operations with respect to grant management at the City of Jackson, the auditor also recommends that management established procedures to ensure that appropriate internal controls are in place to prevent or detect the failure to monitor contracts for compliance with the Davis Bacon Act.

Action Taken: The City of Jackson has hired additional staff to assist with the monitoring and compliance of contracts.

Finding No. 2007-10 FEDERAL FINANCIAL REPORTING/CASH MANAGEMENT

Recommendation: The auditors' recommend that City management take necessary actions to ensure that grant reports are prepared and submitted on a timely basis, including establishing appropriate internal controls which will prevent or detect missed reporting deadlines.

Action Taken: The City of Jackson Internal Audit division is reviewing software which will simply not allow the departments to expend funds unless they meet the requirements, i.e. timely filing of reports as the most workable solution given that there seem to be no consequences for failure to comply with grant requirements. The City of Jackson Internal Audit division has also provided additional training and required that all in attendance sign certifications. This is the first step in holding individuals accountable for their actions. We are also trying to ensure that the qualified individuals are hired in grant management positions, even though the positions are will and pleasure and do not require the same stringencies as civil service positions. We continue to coordinate with the Information Technology Division to find temporary solutions until our grants management program can be purchased. We have implemented the policies and procedures and are obtaining training for key grant management personnel.

Finding No. 2007-11 ALLOWABLE COST

Recommendation: The auditors' recommend that City management immediately take the necessary steps needed to provide the funding source with an accurate detail of officers eligible to be charged to the program. The auditors' also recommend that City management take the necessary staff to provide the required staff to properly perform all grant record keeping and review of contracts as are required. Additionally, the City should adopt appropriate internal controls to prevent or detect a failure to maintain adequate records and support for charges from the subcontractor.

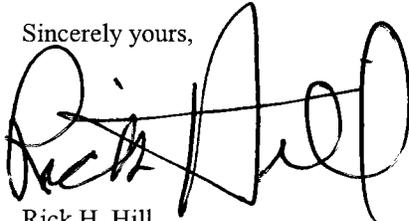
Action Taken: The City of Jackson has resolved all issues pertaining to the U. S. Department of Justice programmatic audit. However, the allowable cost in questioned remains an issue with the external auditors due to timing.

The City of Jackson has hired staff to review, approve, and manage the transit system.

The City of Jackson has adopted policies and procedures that require all departments reconcile grant activity on a monthly basis. Department Directors will be responsible for ensuring all grant expenditures has been properly recorded and reconciled prior to submission to Finance.

If the U. S. Department of Housing and Urban Development has questions regarding this plan, please call me at (601) 960-1097.

Sincerely yours,



Rick H. Hill,
Director of Administration